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中 信 銀 行 股 份 有 限 公 司
China CITIC Bank Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 998)

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2013**

The board of directors (the "Board") of China CITIC Bank Corporation Limited (the "Bank") is pleased to announce the unaudited consolidated results (the "Interim Results") of the Bank and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 (the "Reporting Period"), which have been prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and in compliance with International Accounting Standards (the "IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The interim results have been reviewed and confirmed by the Audit and Related Party Transactions Control Committee of the Board.

This results announcement is made in both English and Chinese. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

Expressed in millions of Renminbi unless otherwise stated

I. FINANCIAL HIGHLIGHTS

Operating Performance

Unit: RMB million

Item	Jan- June 2013	Jan- June 2012	Growth rate (%)
Operating income	50,074	44,243	13.18
Total profit	27,243	25,876	5.28
Net profit attributable to shareholders of the Bank	20,391	19,373	5.25
Net operating cash flow	47,381	(75,551)	—
Basic earnings per share (RMB)	0.44	0.41	7.32
Diluted earnings per share (RMB)	0.44	0.41	7.32
Net operating cash flow per share (RMB)	1.01	(1.61)	—

Profitability Indicators

Item	Jan- June 2013	Jan- June 2012	Increase/ (decrease)
Return on average assets (<i>ROAA</i>)	1.30%	1.38%	(0.08)
Return on average equity (<i>ROAE</i> , <i>excluding minority interests</i>)	19.92%	21.38%	(1.46)
Cost-to-income ratio	28.66%	28.48%	0.18
Credit cost	0.54%	0.33%	0.21
Net interest spread	2.41%	2.68%	(0.27)
Net interest margin	2.59%	2.89%	(0.30)

Scale Indicators

Unit: RMB million

Item	As at 30 June 2013	As at 31 December 2012	Growth rate (%)
Total assets	3,436,945	2,959,939	16.12
Total loans and advances to customers	1,824,552	1,662,901	9.72
Total liabilities	3,220,968	2,756,853	16.83
Total deposits from customers	2,613,911	2,255,141	15.91
Placements from banks and non-bank financial institutions	33,872	17,894	89.29
Total equity attributable to the Bank's shareholders	211,107	198,356	6.43
Net asset per share attributable to the Bank's shareholders (RMB)	4.51	4.24	6.37

Asset Quality Indicators

Unit: RMB million

Item	As at 30 June 2013	As at 31 December 2012	increase/ (decrease) Growth rate(%)
Performing loans	1,808,182	1,650,646	9.54
Non-performing loans (<i>NPLs</i>)	16,370	12,255	33.58
Allowance for impairment of loans	36,657	35,325	3.77
NPL ratio	0.90%	0.74%	0.16
Provision coverage ratio	223.93%	288.25%	(64.32)
The ratio of allowance for impairment of loans to total loans	2.01%	2.12%	(0.11)

Note: Performing loans include normal and special-mention loans. NPLs include substandard, doubtful and loss loans.

Capital Adequacy Indicators

Item	As at 30 June 2013	As at 31 December 2012	increase/ (decrease)
Capital adequacy ratio calculated according to new measures			
Core tier-one capital adequacy ratio	8.92%	9.29%	(0.37)
Tier-one capital adequacy ratio	8.92%	9.29%	(0.37)
Capital adequacy ratio	11.47%	12.42%	(0.95)
Capital adequacy ratio calculated according to old measures			
Core capital adequacy ratio	9.64%	9.89%	(0.25)
Capital adequacy ratio	12.90%	13.44%	(0.54)
Total equity to total assets ratio	6.28%	6.86%	(0.58)

Note: The new measures refer to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC on 7 June 2012 (implemented as of 1 January 2013).

II. REPORT OF THE BOARD OF DIRECTORS

Economic, Financial and Regulatory Environments

During the first half of 2013, the world economy was still complicated and ever-changing. The US economy continued to recover with the Federal Reserve starting discussion on the exit of QE. The Euro zone, still weak in employment and consumption but with lower inflation, was expected to bottom out. Benefiting from its easing monetary policy and exchange depreciation, the Japanese economy was turning for the better in the short run. The emerging economies, however, were challenged in economic growth. In general, there are positive signs of global economic recovery although the foundations of recovery remains weak. Main risk of the global economy lied in the exit of QE policies in developed countries which may trigger re-allocation of global funds.

For the first half of 2013, in face with the complicated changing international and domestic environments, the Chinese central government adhered to the overall principle of progressing amid stability, focused on improving quality and profitability of economic growth, and continued with the combination of proactive fiscal policy and prudent monetary policy. With adjustment promoted by reform and development by adjustment, the national economy enjoyed overall stability and progress amid such stability. Gross domestic product (GDP) in the first half of the year recorded RMB24.8009 trillion, representing a growth of 7.6% year-on-year; investment in fixed assets grew rapidly to RMB18.1318 trillion, up by 20.1% year-on-year; consumption rose steadily, with total retail sales of consumer goods going up to RMB11.0764 trillion, up by 12.7% year-on-year; growth of international trade dropped with export declining more than import, total foreign trade registering USD1.9977 trillion, representing an increase of 8.6% year-on-year, and trade surplus standing at USD107.95 billion; consumer price index (CPI) basically remained stable, up by 2.4% year-on-year; producer's price index (PPI) continued on the downward slope, recording a year-on-year decline of 2.2% while purchasing price index of raw material (PPIRM) went down by 2.4% year-on-year.

The financial industry in China operated in a prudent and healthy manner, with the scale of monetary credit and total social financing both enjoying steady moderate growth. During the first half of 2013, total social financing in China registered RMB10.15 trillion, RMB2.38 trillion more than the same period of the previous year. By the end of June, the supply of broad money (M2) and that of narrow money (M1) reached RMB105.45 trillion and RMB31.36 trillion respectively, up by 14.0% and 9.1% year-on-year respectively. As at the end of June, Renminbi loan and deposit balances registered RMB68.08 trillion and RMB100.91 trillion respectively. The first half of 2013 recorded RMB5.08 trillion incremental Renminbi loans, up by RMB221.7 billion year-on-year; and RMB9.09 trillion incremental Renminbi deposits, up by RMB1.71 trillion year-on-year.

The regulators actively implemented the requirement for progressing amid stability. While stringently safeguarding the bottom line of financial risk, the regulators rendered vigorous supports to economic restructuring, transforming and upgrading and focused on enhancing financial services to the real economy. The PBC, in its efforts to further improve the liquidity management mechanism, created Short-term Liquidity Operations (SLO) and Standing Lending Facility (SLF) and actively conducted result assessment of credit-policy orientation to drive forward optimization of the credit structure. The CBRC issued the *Notification on Several Issues of Regulating Investment Operation of Wealth Management Business of Commercial Banks*, which promoted healthy development of the wealth management business. As to the reform and transformation of banking financial institutions, the CBRC actively and steadily promoted implementation of the new capital management measures, reinforced the internal mechanism for risk management of commercial banks and further expanded the pilot project for commercial banks to set up fund management companies.

Analysis of the Financial Statements and Strategic Transformation

Overview

Facing the complicated and challenging domestic and international economic situations in the first half of 2013, the Group persistently focused on its new development strategy to “increase deposit scale, promote structural transformation and improve management level” and pushed forward steady growth of all business lines in accordance with its new strategic plan. As a result, the Bank enjoyed steady and healthy interim operating results.

Steady growth of business scale. As at the end of the reporting period, the Group’s total assets reached RMB3.436945 trillion, up by 16.12% over the end of the previous year, of which total loans and advances to customers stood at RMB1.824552 trillion, up by 9.72% over the end of the previous year; and total deposits from customers amounted to RMB2.613911 trillion, up by 15.91% over the end of the previous year.

Continuous improvement of profitability. During the reporting period, the Group realized net profit attributable to the Bank’s shareholders of RMB20.391 billion, representing an increase of 5.25% year-on-year; profit before provisioning of RMB32.132 billion, representing an increase of 13.14% year-on-year; net interest income of RMB40.675 billion, representing an increase of 10.14% year-on-year; and net non-interest income of RMB9.399 billion, representing an increase of 28.51% year-on-year.

Overall controllability of asset quality. Due to the impact of economic slowdown, non-performing loans (NPLs) of the Group in some regions and industries rebounded to certain extent. As at the end of the reporting period, the Group's balance of NPLs stood at RMB16.370 billion, up by RMB4.115 billion or 33.58% over the end of the previous year; and its NPL ratio was 0.90%, up by 0.16 percentage point over the end of the previous year. During the reporting period, the Bank took RMB4.719 billion loan impairment provisions, up by 92.85% year-on-year. Due to impact of NPL write-off, the Group registered, as at the end of the reporting period, provision coverage ratio of 223.93%, down by 64.32 percentage points over the end of the previous year and provision to loan ratio of 2.01%, down by 0.11 percentage point over the end of the previous year.

Progress in Strategic Transformation

At the beginning of 2013, the Bank produced its Opinions on Several Issues Regarding the Strategic Development of CITIC Bank, putting forward the vision of “building a first-class commercial bank with unique market value” and the mission of “supporting real economy, creating employee happiness, improving shareholder value and serving social development”. Consistent efforts were put in place to support the real economy, deepen business restructuring, optimized operation and management systems and mechanisms, entered into the service industry on all fronts, vigorously developed SME financing business, retail banking, investment banking, cash management, financial market and online banking. After 6 months' efforts, the Bank achieved marked progress in its strategic transformation.

Remarkable achievements in structural adjustment

The Bank paced up business restructuring in line with its product positioning of “low capital consumption”, its market positioning of “olive-shaped customer structure” and its characteristic sectoral positioning. During the reporting period, the proportion of non-interest income in the Bank's total income reached 18.1%, up by 2.5 percentage points year-on-year; while that of interest income declined to 81.9%, indicating continuous optimization of income structure. The Bank registered 10.3% and 17.9% growth over the end of the previous year respectively in its balances of loans to medium enterprises and small/micro enterprises as well as 25.7% and 28.8% growth in personal business loans and credit card loans over the end of the previous year, all of which are higher than the average loan growth rate of the Bank, with the proportions of loans to medium enterprises and small/micro enterprises in total loans going up further to 30.6% and 14.4% respectively. Thus the Bank enjoyed continuous optimization of customer mix. The balance of loans to modern service sector, proactively supported by the Bank, increased by RMB65 billion or 18.9% over the end of the previous year. At the same time, the Bank took the initiative to reduce credit facility and loans to LGFVs, real estate and PV industry, with the loan thereto declined by RMB13.9 billion, RMB8.2 billion and RMB500 million respectively over the end of the previous year. All these facilitated the sectoral structure of the Bank's loans.

Smooth progress in “drive the focus of corporate customers upward and that of retail customers downward”

With respect to corporate business, the Bank newly set up Institutional Banking Department and Group Client Banking Department at the Head Office, defined bank-level and branch-level strategic customers, highlighting professionalized and differentiated operation and management in line with the financial service model of “commercial banking + investment banking”. The business focus of large customers was gradually shifted from sub-branches upward to branches and Head Office while its sub-branches shifted their service priority downward to SMEs and retail customers. In terms of retail banking business, the Bank newly set up Consumer Finance Department, merged the Department of Wealth Management and Department of Private Banking into one, incorporated small enterprise finance into retail banking business. Vigorous efforts were also made to promote transformation of outlets, build flagship outlets, improve functions of sub-branches as terminals of product sales and focus on gradually building up sub-branches into financial sales platforms that offer full-range financial products including personal loans, credit cards, small/micro finance, wealth management and auto finance.

Solid development in key strategic business areas

As part of its efforts to accelerate the entry into the modern service sector, the Bank set up Division for Modern Service Finance under Corporate Banking Department at Head Office and Working Groups for Modern Service Finance at Head Office and branches, and defined key target customers from seven major categories of core sub-sectors. As at the end of the reporting period, modern service customers of the Bank numbered 66 thousand accounts, up by 21% over the end of the previous year; daily average deposit balance thereof registered RMB313.63 billion, up by 35.8%; and the loan balance thereof registered RMB409.29 billion, up by 18.9%, 10.9 percentage points higher than the average growth rate of the Bank’s corporate loans. All these indicate a good beginning towards a sound layout in the modern service sector.

Under the development concept of “Finance-based internet business, internet-based finance business”, the Bank sped up development of online banking. Following the tides of internet finance and consumer economy, the Bank jointly launched the NFC mobile payment together with China UnionPay, independently developed the “Cyber Payment” product series represented by QR code payment, achieving a breakthrough in the application of new technologies, launched a series of online loan products and created its one-stop mall of financial products and services, thereby making preliminary arrangements for online banking in the Big Data era. Internet micro credit, a cooperation project between the Bank and Tencent, realized internet transactions without face-to-face interviews. Thus the Bank made marked achievements in online banking business innovation.

Further Enhancement of management capacity at Head Office

The Bank re-adjusted and improved its front, middle and back-office business areas including corporate finance, retail finance and financial market, enhanced resources allocation capability of business departments and optimized bank-wide management teams. In addition, the Bank produced a program for reforming risk management system, highlighting double-line reporting and two-way performance evaluation of the Chief Risk Officer and putting forward a new system for vertical management and full coverage of comprehensive risks. A laboratory for internet product innovation was established to push forward construction of new core systems and identify the timetable for system online operation. Efforts were made to promote comprehensive application of management accounting in performance evaluation of business lines, the process of credit approval and assessment of customer contribution to income, enhance dynamic allocation of assets and liabilities resources and drive forward liabilities growth and structural optimization via FTP, achieving remarkable results.

Income Statement Analysis

Unit: RMB million

	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net interest income	40,675	36,929	3,746	10.14
Net non-interest income	9,399	7,314	2,085	28.51
Operating income	50,074	44,243	5,831	13.18
Operating expense	(17,940)	(15,858)	2,082	13.13
Asset impairment loss	(4,889)	(2,524)	2,365	93.70
Profit before taxation	27,243	25,876	1,367	5.28
Income tax	(6,600)	(6,291)	309	4.91
Net profit	20,643	19,585	1,058	5.40
Including: Net profit attributable to the Bank's shareholders	20,391	19,373	1,018	5.25

Operating Income

During the reporting period, the Group realized operating income of RMB50.074 billion, up by 13.18% over the end of the previous year, in which net interest income accounted for 81.2%, down by 2.3 percentage points year-on-year, and net non-interest income accounted for 18.8%, up by 2.3 percentage points year-on-year.

Item	January to June 2013 (%)	January to June 2012 (%)	January to June 2011 (%)
Net interest income	81.2	83.5	84.4
Net non-interest income	18.8	16.5	15.6
Total	100.0	100.0	100.0

Net Interest Income

During the reporting period, the Group realized a net interest income of RMB40.675 billion, up RMB3.746 billion or 10.14% year-on-year, which was mainly attributable to continuous expansion of asset size.

The table below sets out the average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities. Average balance of assets and liabilities means daily average balance.

Unit: RMB million

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest	Average yield/ cost rate (%)	Average balance	Interest	Average yield/ cost rate (%)	Average balance	Interest	Average yield/ cost rate (%)
Interest-earning assets									
Loans and advances to customers	1,766,354	53,924	6.16	1,466,465	50,199	6.88	1,529,621	102,369	6.69
Investment in debt securities	370,955	6,764	3.68	269,371	4,778	3.57	292,622	10,616	3.63
Deposits with the Central Bank	459,411	3,387	1.49	375,666	2,941	1.57	390,421	5,842	1.50
Deposits and placements with banks and non-bank financial institutions	321,372	5,756	3.61	339,001	7,857	4.66	333,843	13,958	4.18
Amounts under resale agreements	219,089	4,738	4.36	117,448	2,561	4.38	121,433	5,208	4.29
Others ⁽¹⁾	26,268	830	6.37	–	1	–	17,149	817	4.76
Subtotal	3,163,449	75,399	4.81	2,567,951	68,337	5.35	2,685,089	138,810	5.17
Interest-bearing liabilities									
Deposits from customers	2,395,367	25,575	2.15	1,951,002	22,332	2.30	2,040,733	45,947	2.25
Deposits and placements from banks and non-bank financial institutions	455,571	7,928	3.51	354,004	8,017	4.55	366,846	15,021	4.09
Amounts under repurchase agreements	6,645	117	3.55	18,206	405	4.47	13,331	537	4.03
Others ⁽²⁾	56,075	1,104	3.97	38,157	654	3.45	48,130	1,819	3.78
Subtotal	2,913,658	34,724	2.40	2,361,369	31,408	2.67	2,469,040	63,324	2.56
Net interest income		40,675			36,929			75,486	
Net interest spread ⁽³⁾			2.41			2.68			2.61
Net interest margin ⁽⁴⁾			2.59			2.89			2.81

Notes: (1) Mainly including receivables investments.

(2) Including debt securities payable and trading financial liabilities.

(3) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average balance of total interest-earning assets, annualized.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale factor and the interest rate factor:

Unit: RMB million

Item	Jan-June 2013 compared with Jan-June 2012		Total
	Scale factor	Interest rate factor	
Assets			
Loans and advances to customers	10,260	(6,535)	3,725
Investment in debt securities	1,803	183	1,986
Deposits with Central Bank	654	(208)	446
Deposits and placements with banks and non-bank financial institutions	(409)	(1,692)	(2,101)
Amounts under resale agreements	2,214	(37)	2,177
Others	829	—	829
Changes in interest income	15,351	(8,289)	7,062
Liabilities			
Deposits from customers	5,082	(1,839)	3,243
Deposits and placement from banks and non-bank financial institutions	2,298	(2,387)	(89)
Amounts under repurchase agreements	(257)	(31)	(288)
Others	307	143	450
Changes in interest expense	7,430	(4,114)	3,316
Changes in net interest income	7,921	(4,175)	3,746

Net Interest Margin and Net Interest Spread

As interest rate liberalization accelerated, Banks' loan-deposit interest spread gradually narrowed. For the reporting period, the Group's net interest margin (NIM) stood at 2.59%, down by 0.30 percentage point year-on-year, and net interest spread 2.41%, down by 0.27 percentage point year-on-year.

Interest Income

During the reporting period, the Group realized an interest income of RMB75.399 billion, up by RMB7.062 billion or 10.33% year-on-year. The increase in interest income was primarily due to the continuous increase in interest-earning assets. The Group's average balance of interest-earning assets increased from RMB2.567951 trillion in the first half of 2012 to RMB3.163449 trillion in the first half of 2013, up by RMB595.498 billion or 23.19%, and its average yield of interest-earning assets decreased from 5.35% in the first half of 2012 to 4.81% in the first half of 2013, down by 0.54 percentage point.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group achieved RMB53.924 billion interest income from loans and advances to customers, up by RMB3.725 billion or 7.42% year-on-year, of which the interest income from loans and advances to customers of the Bank reached RMB52.447 billion, up by RMB3.596 billion or 7.36%. Due to impacts of interest rate liberalization, loan pricing level declined continuously with average yield of loans decreasing by 0.78 percentage point.

Classification by Term

The Group

Unit: RMB million

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,012,070	31,224	6.22	768,120	28,422	7.44	827,155	58,554	7.08
Medium to long-term loans	754,284	22,700	6.07	698,345	21,777	6.27	702,466	43,815	6.24
Total	1,766,354	53,924	6.16	1,466,465	50,199	6.88	1,529,621	102,369	6.69

The Bank

Unit: RMB million

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	993,168	30,834	6.26	754,404	27,984	7.46	811,492	57,697	7.11
Medium to long-term loans	684,944	21,613	6.36	634,011	20,867	6.62	637,627	41,874	6.57
Total	1,678,112	52,447	6.30	1,388,415	48,851	7.08	1,449,119	99,571	6.87

Classification by Business

The Group

Unit: RMB million

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,312,712	40,800	6.27	1,138,227	39,280	6.94	1,162,436	78,592	6.76
Discounted bills	91,310	2,286	5.05	52,443	2,260	8.67	74,428	5,589	7.51
Personal loans	362,332	10,838	6.03	275,795	8,659	6.31	292,757	18,188	6.21
Total loans to customers	1,766,354	53,924	6.16	1,466,465	50,199	6.88	1,529,621	102,369	6.69

The Bank

Unit: RMB million

Item	Jan-June 2013			Jan-June 2012			Jan-December 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,245,090	39,814	6.45	1,079,045	38,316	7.14	1,101,507	76,872	6.98
Discounted bills	84,258	1,999	4.78	48,132	2,149	8.98	69,377	4,882	7.04
Personal loans	348,764	10,634	6.15	261,238	8,386	6.46	278,235	17,817	6.40
Total loans to customers	1,678,112	52,447	6.30	1,338,415	48,851	7.08	1,449,119	99,571	6.87

Interest Income from Investment in Debt Securities

During the reporting period, the Group's interest income from investment in debt securities stood at RMB6.764 billion, up by RMB1.986 billion or 41.57% year-on-year. In combination with the market environment, the Bank continued to optimize fund application, increase investment in debt securities and accelerate restructuring of debt securities, harvesting RMB101.584 billion increase in average balance of debt securities investment and 0.11 percentage point rise in average yield of such investment.

Interest Income from Deposits with the Central Bank

During the reporting period, the Group's interest income from deposits with the Central Bank amounted to RMB3.387 billion, representing an increase of RMB446 million or 15.16% year-on-year. The average balance of deposits with the Central Bank went up by RMB83.745 billion due to the growth in deposits from customers, which led to corresponding increase of statutory deposit reserve placed with the Central Bank. Meanwhile, average yield of deposits with the Central Bank dropped to 1.49%, down by 0.08 percentage points from 1.57% during the same period of the previous year, which offset the impact of higher average balance on the increase of interest income.

Interest Income from Deposits and Placements with Banks and Non-Bank Financial Institutions

During the reporting period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB5.756 billion, down by RMB2.101 billion or 26.74% year-on-year. Due to funds shortage on the inter-bank market, the average balance of deposits and placements with banks and non-bank financial institutions decreased by RMB17.629 billion and the average yield of such deposits and placements dropped to 3.61%, down by 1.05 percentage points.

Interest Income from Amounts under Resale Agreements

During the reporting period, the Group's interest income from amounts under resale agreements stood at RMB4.738 billion, up by RMB2.177 billion or 85.01% year-on-year; and the average balance of amounts under resale agreements increased by RMB101.641 billion, which offset the impact of the 0.02 percentage point average yield decline to some extent.

Interest Expense

During the reporting period, the Group's interest expense was RMB34.724 billion, up by RMB3.316 billion or 10.56% year-on-year. Such increase in interest expense was primarily due to the growth of interest-bearing liabilities.

The average balance of the Group's interest-bearing liabilities increased from RMB2.361369 trillion in the first half of 2012 to RMB2.913658 trillion in the first half of 2013, up by RMB 552.289 billion or 23.39%, while the average cost rate of its interest-bearing liabilities decreased from 2.67% in the first half of 2012 to 2.40% in the first half of 2013, down by 0.27 percentage point.

Interest Expense on Deposits from Customers

During the reporting period, the interest expense on deposits from customers of the Group was RMB25.575 billion, up by RMB3.243 billion or 14.52% year-on-year, of which the interest expense on deposits from customers of the Bank was RMB24.973 billion, up by RMB3.407 billion or 15.80% year-on-year, mainly due to the increase of RMB444.575 billion in average balance of deposits from customers.

The Group

Unit: RMB million

Item	Average balance	Jan-June 2013		Average balance	Jan-June 2012		Average balance	Jan-December 2012	
		Interest expense	Average cost rate (%)		Interest expense	Average cost rate (%)		Interest expense	Average cost rate (%)
Corporate deposits									
Time deposits	1,110,687	17,792	3.23	901,257	15,631	3.49	952,649	32,908	3.45
Demand deposits	864,356	2,847	0.66	723,071	2,841	0.79	754,131	5,546	0.74
Subtotal	1,975,043	20,639	2.11	1,624,328	18,472	2.29	1,706,780	38,454	2.25
Personal deposits									
Time deposits	321,128	4,582	2.88	244,007	3,680	3.03	247,382	7,152	2.89
Demand deposits	99,196	354	0.72	82,667	180	0.44	86,571	341	0.39
Subtotal	420,324	4,936	2.37	326,674	3,860	2.38	333,953	7,493	2.24
Total	2,395,367	25,575	2.15	1,951,002	22,332	2.30	2,040,733	45,947	2.25

The Bank

Unit: RMB million

Item	Average balance	Jan-June 2013		Average balance	Jan-June 2012		Average balance	Jan-December 2012	
		Interest expense	Average cost rate (%)		Interest expense	Average cost rate (%)		Interest expense	Average cost rate (%)
Corporate deposits									
Time deposits	1,067,442	17,456	3.30	853,258	15,197	3.58	907,297	31,980	3.52
Demand deposits	846,065	2,837	0.68	706,972	2,832	0.81	738,108	5,528	0.75
Subtotal	1,913,507	20,293	2.14	1,560,230	18,029	2.32	1,645,405	37,508	2.28
Personal deposits									
Time deposits	292,415	4,340	2.99	217,799	3,370	3.11	220,957	6,634	3.00
Demand deposits	86,102	340	0.80	69,420	167	0.48	72,062	311	0.43
Subtotal	378,517	4,680	2.49	287,219	3,537	2.48	293,019	6,945	2.37
Total	2,292,024	24,973	2.20	1,847,449	21,566	2.35	1,938,424	44,453	2.29

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

The Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB7.928 billion, down by RMB89 million or 1.11% year-on-year, which was primarily due to the 1.04 percentage points decrease in the cost rate of deposits and placements from banks and non-bank financial institutions.

Interest Expense on Amounts Under Repurchase Agreements

During the reporting period, the Group's interest expense on amounts under repurchase agreements was RMB117 million, down by RMB288 million or 71.11% year-on-year, which was primarily due to the decrease of RMB11.561 billion in the average balance of amounts under repurchase agreements and the decrease of 0.92 percentage point in average cost.

Other Interest Expense

The Group's interest expenses on other borrowed funds stood at RMB1.104 billion, representing an increase of RMB450 million year-on-year, mainly resulting from the increase in the average balance of debt securities issued by the Group.

Net Non-Interest Income

The Group realized net non-interest income of RMB9.399 billion, up by RMB2.085 billion or 28.51% year-on-year.

Unit: RMB million

Item	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net fee and commission income	7,977	5,405	2,572	47.59
Net gain from trading	969	1,540	(571)	(37.08)
Net gain from investment securities	73	115	(42)	(36.52)
Income from other business	380	254	126	49.61
Total net non-interest income	<u>9,399</u>	<u>7,314</u>	<u>2,085</u>	<u>28.51</u>

Net Fee and Commission Income

During the reporting period, the Group realized net fee and commission income of RMB7.977 billion, representing an increase of RMB2.572 billion or 47.59% year-on-year, of which fee and commission income amounted to RMB8.581 billion, up by 47.52% year-on-year. This increase was primarily due to the rapid growth in multiple business items including consulting and advisory fees, bank card fees and wealth management service fees, guarantee fees, and commissions from custody and other trusted services.

Unit: RMB million

Item	Jan- June 2013	Jan- June 2012	Year-on-year Increase/ decrease	Year-on-year Growth rate (%)
Consulting and advisory fees	2,504	1,506	998	66.27
Bank card fees	2,445	1,624	821	50.55
Settlement fees	1,259	1,446	(187)	(12.93)
Wealth management service fees	950	280	670	239.29
Agency fees	542	465	77	16.56
Guarantee fees	467	263	204	77.57
Custody and other trusted services commissions	407	229	178	77.73
Others	7	4	3	75.00
Subtotal	8,581	5,817	2,764	47.52
Fee and commission expense	(604)	(412)	192	46.60
Net fee and commission income	7,977	5,405	2,572	47.59

Net gain from trading

The Group registered RMB969 million net gain from trading during the reporting period, down by RMB571 million year-on-year, mainly due to reduced revaluation of derivatives.

Unit: RMB million

Item	Jan- June 2013	Jan- June 2012	Year-on-year Increase/ decrease	Year-on-year Growth rate (%)
Net gain from foreign exchange trading	784	757	27	3.57
Derivatives	184	574	(390)	(67.94)
Debt securities	—	208	(208)	—
Financial instrument designated at fair value through profit or loss	1	1	—	—
Net gain from trading	969	1,540	(571)	(37.08)

Loss on Asset Impairment

During the reporting period, the Group's asset impairment loss stood at RMB4.889 billion, up by RMB2.365 billion year-on-year, of which impairment loss on loans and advances to customers registered RMB4.719 billion, up by RMB2.272 billion or 92.85% year-on-year.

Unit: RMB million

Item	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Loans and advances to customers	4,719	2,447	2,272	92.85
Off-balance sheet assets	57	85	(28)	(32.94)
Securities investment	(91)	(13)	(78)	600.00
Others ^(Note)	204	5	199	—
Total loss on asset impairment	4,889	2,524	2,365	93.70

Note: Including the impairment losses on repossessed assets, placements with banks and non-bank financial institutions and other assets.

Business and Management Expenses

During the reporting period, the Group incurred RMB17.940 billion operating expense, representing an increase of RMB2.082 billion or 13.13% year-on-year, mainly because the Group increased its financial input to promote structural transformation, of which staff cost and property and equipment expenses increased 15.54% and 20.02% year-on-year respectively.

During the reporting period, the Group's cost to income ratio was 28.66%, up by 0.18 percentage point year-on-year.

Unit: RMB million

Item	Jan- June 2013	Jan- June 2012	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Staff cost	8,209	7,105	1,104	15.54
Property and equipment expenses and amortization	2,674	2,228	446	20.02
Others	3,469	3,268	201	6.15
Sub-total	14,352	12,601	1,751	13.90
Business tax and surcharges	3,588	3,257	331	10.16
Total operating expenses	17,940	15,858	2,082	13.13
Cost-to-income ratio	35.83%	35.84%	down by 0.01 percentage point	
Cost-to-income ratio (deducting business tax and surcharges)	28.66%	28.48%	up by 0.18 percentage point	

Income Tax Analysis

The Group's income tax expense was RMB6.60 billion, up by RMB309 million or 4.91% year-on-year. The Group's effective tax rate stood at 24.23%, down 0.08 percentage point from 24.31% in the first half of 2012.

Balance Sheet Analysis

As at the end of the reporting period, total assets of the Group reached RMB3.436945 trillion, up by 16.12% over the end of the previous year, mainly due to increase in the Group's loans and advances and other receivables investment; and total liabilities of the Group reached RMB 3.220968 trillion, up by 16.83% over the end of the previous year, mainly as the result of the increase in deposits from customers.

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	1,787,895	52.0	1,627,576	55.0
Receivables investment	140,667	4.1	56,435	1.9
Investment in debt securities and equity instruments ⁽¹⁾	409,004	11.9	346,282	11.7
Cash and deposits with Central Bank	492,526	14.3	428,167	14.5
Net amount of deposits and placements with banks and non-bank financial institutions	340,694	9.9	388,394	13.1
Amounts under resale agreements	217,677	6.3	69,082	2.3
Others ⁽²⁾	48,482	1.5	44,003	1.5
Total assets	3,436,945	100.0	2,959,939	100.0
Deposits from customers	2,613,911	81.2	2,255,141	81.8
Deposits and placement from banks and non-bank financial institutions	475,385	14.8	388,002	14.1
Amounts under repurchase agreements	17,856	0.6	11,732	0.4
Debt securities payable and certificates of deposit issued	55,070	1.7	56,402	2.0
Others ⁽³⁾	58,746	1.7	45,576	1.7
Total liabilities	3,220,968	100.0	2,756,853	100.0

Notes: (1) Including trading investments, available-for-sale investments, held-to-maturity investments and investments in associates.

(2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, investment property, goodwill, deferred income tax assets and other assets.

(3) Including trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payables, interest payables, estimated liabilities, other liabilities and so on.

Loan Business

As at the end of the reporting period, total loans and advances of the Group reached RMB1.824552 trillion, up by 9.72% over the end of the previous year; and loans and advances accounted for 52.0% of total assets, down by 3.0 percentage points over the end of the previous year.

The Group

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,360,245	74.6	1,253,260	75.4
Discounted bills	74,940	4.1	74,994	4.5
Personal loans	389,367	21.3	334,647	20.1
Total loans and advances to customers	1,824,552	100.0	1,662,901	100.0
Impairment provision for loans and advances to customers	(36,657)		(35,325)	
Net loans and advances to customers	1,787,895		1,627,576	

As at the end of the reporting period, loans and advances of the Bank totalled RMB1.731024 trillion, up by 9.79% over the end of the previous year.

The Bank

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,288,388	74.4	1,188,415	75.4
Discounted bills	67,664	3.9	68,166	4.3
Personal loans	374,972	21.7	320,044	20.3
Total loans and advances to customers	1,731,024	100.0	1,576,625	100.0
Impairment provision for loans and advances to customers	(36,206)		(34,877)	
Net loans and advances to customers	1,694,818		1,541,748	

Please refer to “Risk Management” section of the report for risk analysis of loan business.

Investment in Debt Securities and Equity Instruments

Portfolio Analysis of Investment in Debt Securities and Equity Instruments

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Debt securities				
Held-to-maturity debt securities	160,970	39.3	135,144	39.0
Available-for-sale debt securities	213,862	52.3	192,340	55.5
Debt securities measured at fair value through profit or loss	20,411	5.0	12,283	3.5
Total debt securities	395,243	96.6	339,767	98.0
Investment funds				
Available-for-sale investment funds	6,804	1.7	684	0.2
Investment funds measured at fair value through profit or loss	2	—	2	—
Total investment funds	6,806	1.7	686	0.2
Equity investments				
Available-for-sale equity instruments	194	—	187	0.1
Investment in associates	2,109	0.5	2,134	0.6
Total equity investments	2,303	0.5	2,321	0.7
Certificates of deposit				
Available-for-sale financial Assets – certificates of deposit	4,841	1.2	3,787	1.1
Total investment in debt securities and equity instruments	409,193	100.0	346,561	100.0
Impairment provision for investment in debt securities and equity instruments	(189)		(279)	
Net investment in debt securities and equity instruments	409,004		346,282	
Market value of listed securities of held-to-maturity debt securities	825		848	

Classification of Debt Securities Investment

As at the end of the reporting period, the Group's investment in debt securities reached RMB395.243 billion, representing an increase of RMB55.476 billion or 16.33% over the end of the previous year, primarily because the Group increased investment in high-yield bonds and high-credit-rating corporate bonds based on full consideration of investment returns and risks.

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Banks and non-bank financial institutions	119,041	30.1	103,498	30.4
Government	85,267	21.6	73,759	21.7
Policy banks	52,407	13.3	44,720	13.2
PBC	9,327	2.4	11,533	3.4
Public entities	31	—	39	—
Others <i>(Note)</i>	129,170	32.6	106,218	31.3
Total debt securities	<u>395,243</u>	<u>100.0</u>	<u>339,767</u>	<u>100.0</u>

Note: Primarily corporate bonds.

Debt Securities Investment at Home and Abroad

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Domestic	385,759	97.6	328,059	96.6
Overseas	9,484	2.4	11,708	3.4
Total debt securities	<u>395,243</u>	<u>100.0</u>	<u>339,767</u>	<u>100.0</u>

Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total of USD2.755 billion foreign currency denominated debt securities (equivalent to RMB17.022 billion), of which the Bank held USD1.419 billion, accounting for 51.51% of the total. The Group's impairment provision for foreign currency denominated debt securities investment was USD30 million (equivalent to RMB184 million), all being provision for impairment losses on debt securities held by the Bank.

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 30 June 2013.

Unit: RMB million

Name of Debt Securities	Book value	Maturity Date	Annual interest rate (%)	Provision for impairment
Debt Securities 1	4,000	2017-02-28	4.20	—
Debt Securities 2	3,184	2017-04-23	4.11	—
Debt Securities 3	3,008	2015-02-20	3.76	—
Debt Securities 4	2,820	2015-04-23	3.93	—
Debt Securities 5	2,638	2017-07-26	3.97	—
Debt Securities 6	2,631	2019-04-23	4.32	—
Debt Securities 7	2,592	2015-12-07	3.93	—
Debt Securities 8	2,197	2017-05-06	3.33	—
Debt Securities 9	2,054	2018-01-17	4.12	—
Debt Securities 10	2,039	2022-04-23	4.44	—
Total debt securities	27,163			

Changes in Provisions for Investment Impairment Losses

Unit: RMB million

Item	As at 30 June 2013	As at 31 December 2012
Beginning balance	279	440
Accruals during the year ⁽¹⁾	(91)	(16)
Write-offs	—	—
Transfer in/out ⁽²⁾	1	(145)
Ending balance	189	279

Notes: (1) Equal to the net provision for impairment losses recognized in the consolidated profit and loss account of the Group.

- (2) Transfer in/out includes the amount transferred from the provisions for impairment losses on investment in overdue debt securities to the provisions for bad debt, the transfer of sale of impaired investments to impairment provisions and impacts due to changes in exchange rate.

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

Item	30 June 2013			31 December 2012		
	Nominal principal	Fair value Assets	Liabilities	Nominal principal	Fair value Assets	Liabilities
Interest rate derivatives	212,806	1,039	784	223,773	1,269	902
Currency derivatives	810,608	4,368	4,132	550,812	2,891	2,495
Other derivatives	52,151	—	3	21,584	—	15
Total	1,075,565	5,407	4,919	796,169	4,160	3,412

On-Balance Sheet Interest Receivables

Unit: RMB million

Item	31 December 2012	Increase during the current period	Collected/ transferred during the current period	30 June 2013
Loan interests receivable	4,414	53,924	(53,351)	4,987
Interest receivable for debt securities	6,009	6,764	(6,666)	6,107
Other interest receivables	2,859	14,711	(14,550)	3,020
Total	13,282	75,399	(74,567)	14,114
Allowances for impairment losses on interest receivables	(242)	(220)	4	(458)
Net interests receivable	13,040	75,179	(74,563)	13,656

Reposessed Assets

Unit: RMB million

Item	30 June 2013	31 December 2012
Original value of reposessed assets		
– Land, premises and constructions	350	421
– Others	27	23
Provisions for impairment of reposessed assets		
– Land, premises and constructions	(117)	(144)
– Others	(24)	(23)
Total book value of reposessed assets	<u>236</u>	<u>277</u>

Deposits from Customers

As at the end of the reporting period, deposits from customers of the Group totalled RMB2.613911 trillion, up by RMB358.770 billion or 15.91% over the end of the previous year; and deposits from customers accounted for 81.2% of total liabilities, down by 0.6 percentage point over the end of the previous year.

The Group

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits				
Demand deposits	966,369	36.9	851,951	37.8
Time deposits	1,178,185	45.1	990,759	43.9
Including: negotiated deposits	100,206	3.8	100,108	4.4
Subtotal	<u>2,144,554</u>	<u>82.0</u>	<u>1,842,710</u>	<u>81.7</u>
Personal deposits				
Demand deposits	116,530	4.5	102,120	4.5
Time deposits	352,827	13.5	310,311	13.8
Subtotal	<u>469,357</u>	<u>18.0</u>	<u>412,431</u>	<u>18.3</u>
Total deposits from customers	<u>2,613,911</u>	<u>100.0</u>	<u>2,255,141</u>	<u>100.0</u>

The Bank's deposits from customers totalled RMB2.506702 trillion, up by RMB358.120 billion or 16.67% over the end of the previous year.

The Bank

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits				
Demand deposits	947,048	37.8	833,520	38.8
Time deposits	1,133,619	45.2	948,090	44.1
Including: negotiated deposits	99,340	4.0	99,340	4.6
Subtotal	2,080,667	83.0	1,781,610	82.9
Personal deposits				
Demand deposits	102,937	4.1	86,953	4.1
Time deposits	323,098	12.9	280,019	13.0
Subtotal	426,035	17.0	366,972	17.1
Total deposits from customers	2,506,702	100.0	2,148,582	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	2,400,162	91.8	2,053,129	91.0
Foreign currencies	213,749	8.2	202,012	9.0
Total	2,613,911	100.0	2,255,141	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim ^(Note)	702,795	26.9	617,682	27.5
Yangtze River Delta	634,410	24.3	566,851	25.1
Pearl River Delta and West Strait	374,691	14.3	309,896	13.7
Central region	373,897	14.3	308,383	13.7
Western region	342,301	13.1	275,718	12.2
Northeastern region	79,074	3.0	70,641	3.1
Overseas	106,743	4.1	105,970	4.7
Total deposits from customers	2,613,911	100.0	2,255,141	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The Group

Unit: RMB million

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	1,043,487	39.9	489,298	18.7	424,632	16.2	184,998	7.1	2,139	0.1	2,144,554	82.0
Personal deposits	194,444	7.5	114,148	4.4	120,671	4.6	40,090	1.5	4	—	469,357	18.0
Total	1,237,931	47.4	603,446	23.1	545,303	20.8	225,088	8.6	2,143	0.1	2,613,911	100.0

The Bank

Unit: RMB million

Item	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	1,024,345	40.9	456,545	18.2	415,132	16.5	182,505	7.3	2,140	0.1	2,080,667	83.0
Personal deposits	180,869	7.2	88,150	3.5	117,517	4.7	39,495	1.6	4	—	426,035	17.0
Total	1,205,214	48.1	544,695	21.7	532,649	21.2	222,000	8.9	2,144	0.1	2,506,702	100.0

Shareholders' Equity

Changes in shareholders' equity in the Group during the reporting period are listed in the following table:

Unit: RMB million

Item	30 June 2013						
	Share Capital	Capital Reserve	Surplus Reserve and General Risk Provision	Undistributed Profit	Translation Gap of Foreign Currency Statements	Minority Shareholders' Equity	Total Shareholders' Equity
Beginning balance	46,787	49,303	47,035	57,351	(2,120)	4,730	203,086
1. Net profit	—	—	—	20,391	—	252	20,643
2. Other comprehensive income	—	(444)	—	—	(178)	(112)	(734)
3. Profit distribution	—	—	—	(7,018)	—	—	(7,018)
Ending balance	<u>46,787</u>	<u>48,859</u>	<u>47,035</u>	<u>70,724</u>	<u>(2,298)</u>	<u>4,870</u>	<u>215,977</u>

Major Off-Balance Sheet Items

The table below sets out the major off-balance sheet items and their balances as at the end of the reporting period.

Unit: RMB million

Item	30 June 2013	31 December 2012
Credit commitments		
– Banker's Acceptance bills	729,124	666,007
– Letters of credit issued	159,250	166,268
– Letters of guarantee issued	101,969	89,554
– Irrevocable loan commitments	101,762	115,246
– Credit card commitments	<u>90,944</u>	<u>80,452</u>
Subtotal	<u>1,183,049</u>	<u>1,117,527</u>
Operating lease commitments	10,450	9,997
Capital commitments	1,229	681
Pledged assets	<u>27,738</u>	<u>11,795</u>
Total	<u>1,222,466</u>	<u>1,140,000</u>

Supplementary Financial Indicators

Major Indicators ⁽¹⁾	Standard	30 June 2013	The Bank (%)	
			31 December 2012	31 December 2011
	(%)			
Liquidity ratio (both RMB and Foreign currency)	≥25	50.97	52.20	60.89
Including: RMB	≥25	48.23	48.85	58.97
Foreign currencies	≥25	80.70	86.48	96.55
Loan-to-deposit ratio⁽²⁾				
(both RMB and Foreign currency)	≤75	69.20	73.59	72.97
Including: RMB	≤75	68.09	74.12	73.26
Foreign currencies	≤75	90.04	64.12	65.44

Notes: (1) The figures were calculated in accordance with the regulatory standards of the Chinese banking industry.

(2) Discounted bills are included in loans.

Capital Management

The Bank calculates and discloses its capital adequacy ratios according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC (implemented as of 1 January 2013). During the reporting period, capital adequacy ratios of the Group at all levels complied with regulatory requirements of the new measures. As at the end of the reporting period, the Group recorded 8.92% core tier-one capital adequacy ratio, down by 0.37 percentage point over the end of the previous year, 8.92% tier-one capital adequacy ratio, down by 0.37 percentage point over the end of the previous year, and 11.47% capital adequacy ratio, down by 0.95 percentage point over the end of the previous year.

Item	30 June 2013	31 December 2012	Increase/ decrease over the end of the previous year (%)
Core tier-one capital	213,334	202,521	5.34
Net tier-one capital	213,395	202,574	5.34
Net capital	274,371	270,839	1.30
Risk-weighted assets	2,391,470	2,180,062	9.70
Core tier-one capital adequacy ratio	8.92%	9.29%	down 0.37 percentage point
Tier-one Capital adequacy ratio	8.92%	9.29%	down 0.37 percentage point
Capital adequacy ratio	11.47%	12.42%	down 0.95 percentage point

Major Accounting Estimates and Assumptions

When applying its accounting policies to determine the amounts of assets and liabilities as well as profits and losses during the reporting period and preparing its financial statements in conformity with the PRC Accounting Standards for Business Enterprises, the Group needs to make certain accounting estimates and assumptions based on its historical experiences and other factors such as reasonable expectations of future events, and review such estimates and assumptions on an on-going basis. All the accounting estimates and assumptions hitherto made by the Group have appropriately reflected the financial positions of the Group.

The basis for compilation of the Group's financial statements are influenced by estimates and judgments in the following main aspects: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, trading investments, fair value measurement of transactions designated to be measured at fair value and with changes in fair value reflected in profit and loss, fair value measurement of available-for-sale investments, and fair value measurement of financial derivatives), affirmation of actuarial obligations for pension and welfare, and recognition of deferred income tax and income tax expense.

Measurement of Fair Value

The Bank measured the fair value of financial instruments according to the Price Determination Method for Financial Instruments of China CITIC Bank in Treasury and Capital Market Business. The methods for determination of fair value included the use of financial media quotes, open or individual valuation techniques, and trading counter-party or third party price inquiry. In principle, the Bank made priority use of quotes from active markets to measure fair value. For financial instruments without active markets, the latest market trading quotes were applied. For those financial instruments without market quotes, valuation techniques or price inquiry method was applied.

The Bank strictly implemented the internal control procedure for measurement of fair value. Its business departments, risk management departments and accounting departments collectively confirmed the determination methods and sources for fair value of financial instruments in light of business needs. The accounting departments conducted independent valuation of fair value based on requirements of accounting standards, and prepared valuation reports regularly. The risk management departments reviewed various valuation reports, and supervised the implementation of valuation methods. The systems and methods related to the measurement of fair value were approved by the Market Risk Management Committee of the Bank's Head Office.

Segment Report

Business Segments

Major business segments of the Group cover corporate banking, retail banking and financial market business. Data of these business segments mainly came from the Group's management accounting system.

Unit: RMB million

Business Segments	Jan-June 2013				Jan-June 2012			
	Segment	Profit		Proportion	Segment	Profit		Proportion
	operating	income	before		operating	income	before	
		Proportion	taxation	(%)		Proportion	taxation	(%)
Corporate banking	33,729	67.4	19,767	72.6	33,725	76.3	21,214	82.0
Personal banking	9,608	19.2	1,683	6.2	6,728	15.2	1,293	5.0
Treasury business	3,909	7.8	3,620	13.3	3,820	8.6	3,616	14.0
Other business	2,828	5.6	2,173	7.9	(30)	(0.1)	(247)	(1.0)
Total	50,074	100.0	27,243	100.0	44,243	100.0	25,876	100.0

Geographical Segments

The Yangtze River Delta, the Pearl River Delta and the West Strait and the Bohai Rim have always been significant contributors to the Group's income and profit growth. The table below lists operating results of these geographical segments during the reporting period.

Unit: RMB million

Geographical Segments	30 June 2013				Jan-June 2013	
	Total assets ^(Note)		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	772,074	22.5	766,834	23.8	3,524	12.9
Pearl River Delta and West Strait	533,154	15.5	528,470	16.4	3,073	11.3
Bohai Rim	815,306	23.8	807,570	25.1	5,459	20.0
Central region	442,359	12.9	437,824	13.6	3,967	14.6
Western region	431,534	12.6	426,567	13.2	3,407	12.5
Northeastern region	86,397	2.5	84,826	2.6	1,048	3.8
Head Office	1,161,770	33.9	997,563	31.0	5,768	21.2
Hong Kong	149,828	4.4	133,563	4.1	997	3.7
Inter-segment adjustment	(962,089)	(28.1)	(962,249)	(29.8)	—	—
Total	3,430,333	100.0	3,220,968	100.0	27,243	100.0

Note: Excluding deferred income tax assets.

Unit: RMB million

Geographical Segments	31 December 2012				Jan-June 2012	
	Total assets ^(Note)		Total liabilities		Profit before taxation	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta	720,231	24.3	709,635	25.7	5,616	21.7
Pearl River Delta and West Strait	438,698	14.9	431,981	15.7	2,560	9.9
Bohai Rim	727,706	24.6	715,812	26.0	6,062	23.4
Central region	351,283	11.9	344,631	12.5	2,909	11.2
Western region	356,213	12.1	349,718	12.7	2,832	10.9
Northeastern region	77,278	2.6	75,502	2.7	757	2.9
Head Office	962,733	32.6	825,654	29.9	4,310	16.8
Hong Kong	146,268	5.0	130,482	4.7	830	3.2
Inter-segment adjustment	(826,562)	(28.0)	(826,562)	(29.9)	—	—
Total	2,953,848	100.0	2,756,853	100.0	25,876	100.0

Note: Excluding deferred income tax assets.

Business Review

Corporate Finance Business

The Bank paced up restructuring of its corporate finance business, optimized its financial service models for large, medium and small corporate customers, improved stratified operation of corporate customers, enhanced innovation of products and services in its supply chain finance and cash management business, and reinforced cooperation with customers that were government institutions and public utilities. As a result, the Bank continued to maintain its industrial champion status in international business and investment banking business and achieved rapid development of its corporate finance business.

The Bank proactively expanded its diversified source channels of corporate deposits, tapped into existing resources such as customers, products and outlets, and increased the proportion of corporate liabilities that were of low cost and high stability. By grasping market opportunities such as emergence of the modern service sector and new-style urbanization, the Bank enhanced the role of financial products such as cash management, supply chain finance, investment banking and international business in supporting and driving forward corporate liabilities business and achieved rapid growth of corporate deposits. In addition, the Bank devoted itself to adjustment and optimization of its corporate loan structure , adjusting credit line resources and optimizing mechanism for allocation of credit resources.

As at the end of the reporting period, corporate customers of the Bank stood at 325 thousand, 15.3 thousand accounts higher over the end of the previous year; corporate deposit balance of the Bank reached RMB2.080667 trillion, up by 16.79% over the end of the previous year; and negotiated deposits recorded RMB99.340 billion, accounting for 4.77% of the Bank's total corporate deposits. The Bank's corporate loan balance registered RMB1.356052 trillion, up by 7.92% over the end of the previous year, of which the balance of general loans recorded RMB1.288388 trillion, accounting for 95.01% of the total, up by 0.43 percentage point over the end of the previous year. During the reporting period, the Bank realized RMB32.863 billion operating income in its corporate finance business, accounting for 68.26% of its total operating income, which included net non-interest income of RMB5.006 billion from corporate finance business, accounting for 57.60% of the Bank's total net non-interest income.

Restructuring of Corporate Customers

The Bank vigorously promoted concentrated operation of large customers at the branch level, which was in line with the overall strategic thinking of “drive the focus of corporate customers upward”. The Bank newly set up its Group Client Banking Department at the Head Office, so as to concentrate resources for systematic marketing to and professional operation of large corporate customers. Further efforts were made by the Bank to establish and improve the performance evaluation and incentive systems for strategic customer operation. The Bank maintained stable growth in its business cooperation with strategic customer, benefiting from its efforts in deepening the business model of “commercial banking + investment banking” targeting strategic customers, reinforcing interactive marketing between customer departments and product departments and improving professional operation and service provision of its teams. During the reporting period, daily average balance of deposits from strategic customers stood at RMB777.282 billion, taking up 40.62% of average daily balance of corporate deposits of the Bank, representing an increase of RMB136.371 billion or 21.28% over the end of the previous year; balance of general loans to strategic customers as at the end of the reporting period registered RMB416.758 billion, accounting for 32.35% of the Bank’s balance of general loans to corporate customers, representing an increase of RMB17.770 billion or 4.45% over the end of the previous year.

During the reporting period, the Bank newly established its Institutional Banking Department at the Head Office to reinforce uniform planning, concentrated management and systematic promotion of financial services to institutional customers, and gradually developed the financial service model of “basic products + unique programs + special systems”. The Bank deepened its cooperation with governments and finance departments at all levels, concluding strategic cooperation agreements with provincial and municipal governments of Inner Mongolia Autonomous Region, Guangzhou, Taiyuan, Wuhan and Wuxi, for the purpose of becoming the “provider of integrated financial services” in the new round of local government-initiated economic development. In addition, the Bank effectively drove forward its cooperation with institutional customers in areas of public utilities such as social security, health care, education and culture, and accelerated business planning and customer marketing for priority sub-areas of institutional banking. As at the end of the reporting period, the Bank recorded nearly 18 thousand of institutional customers; deposit balance of institutional customers reached RMB585.750 billion, accounting for 28.15% of its corporate deposits and exceeding the average growth rate of the Bank’s corporate deposits.

The proportion of small and micro enterprise business in the Bank's total business continued to rise. As at the end of the reporting period, the Bank had 18,469 small and micro enterprises¹ with credit-facility, representing an increase of 1,140 accounts over the end of the previous year; small and micro enterprises receiving loans from the Bank numbered 12,414 accounts, up by 831 accounts over the end of the previous year; the balance of loans to small and micro enterprises totalled RMB250.108 billion, up by RMB37.89 billion or 17.85% over the end of the previous year, a growth rate markedly higher than the average growth rate of the Bank's loans in all categories. NPL balance was RMB4.334 billion and the NPL ratio was 1.73%, up by 0.14 percentage point over the end of the previous year.

International Business

The bank deepened customer segmentation and strengthened three level interaction of the Head office, branches, and sub-branches in its international business, realized better business co-ordination by providing professional service and innovative products. During the reporting period, the Bank launched low capital consumption and high yields products such as financing under insurance, guaranteed payment on the import collection, export receivables financing, NRA forfeiting. Meanwhile, with over 100 percent year-on-year growth, buyers' finance, export finance on the letter credit, and non-payment guarantee achieved satisfactory market results.

During the reporting period, the Bank realized RMB1.421 billion fee income; achieved USD158.215 billion in foreign exchange receipts and payments (including trade account, non-trade account and capital account) in its international business, up by 34.49% over the previous year, achieving a market share of 4.82% (according to the monthly statement on statistics of international receipts and payments prepared by the State Administration of Foreign Exchange); Cross-border Renminbi receipts and payments realized by the Bank totaled RMB114.871 billion, up by 85.46% over the previous year, achieving a market share of 5.7% (according to the monthly statement on statistics of cross-border Renminbi receipts and payments prepared by the PBC). For both of foreign exchange and cross border Renminbi receipts and payments, the bank ranked No.6 in domestic market and No.1 of all joint-stock commercial banks in China.

¹ The statistical scope of small and micro businesses follows the standards on classification of large, medium, small and micro businesses as contained in the Notification on Printing and Distribution of the Provisions on Classification of Medium, Small and Micro Businesses (MIIT [2011] 300) jointly issued by the Ministry of Industry and Information Technology (MIIT), the National Statistics Bureau (NSB), the National Development and Reform Commission (NDRC) and the Ministry of Finance (MOF).

Investment Banking Business

The Bank continued to apply its professional operation model in investment banking, put into full play its role as a provider of financial intermediary services on the capital market, and enhanced its business development model of “commercial banking + investment banking” by improving the cross-market integrated financial service platform of investment banking, achieving continuous improvement in both business profitability and capacity of service provision for customer financing. During the reporting period, the Bank recorded RMB264.2 billion cumulative financing for customers, up by 65.93% year-on-year; realized RMB2.306 billion intermediary business income in investment banking, up by 83.89% year-on-year, of which business income from asset management, bond underwriting and structured financing went up by 169.04%, 103.79% and 49.86% respectively year-on-year.

During the reporting period, the Bank issued (via announcements) 154 debt financing instruments and underwrote RMB137.8 billion in total value, ranking No.2 and No.3 in the Chinese banking industry (as per Wind rankings) respectively, taking the second place among the leading joint-stock banks for syndicated loans in Mainland China (as per Bloomberg rankings).

Supply Chain Finance Business

The Bank sped up product innovation and industrial expansion for its supply chain finance business. Closed financing and portfolio financing products were developed; whole-process service programs for total supply chain finance were tailored for customers; portfolio innovation covered products of supply chain finance, cash management and e-commerce with the launch of innovative products such as online finance for e-commerce and standard bill financing; and the scope of services was extended to industries including coal, modern logistics and healthcare. By accelerating the construction of the platform for concentrated management of supply chain finance business, and reinforcing customer access, post-lending management and logistics regulation, the Bank strengthened its business risk management and control.

As at the end of the reporting period, financing balance of the Bank’s supply chain finance business reached RMB206.397 billion, representing an increase of RMB4.908 billion over the end of the previous year; and daily deposits cumulated to RMB138.505 billion, representing an increase of RMB21.794 billion over the end of the previous year. The Bank established cooperative relationship with 65 automobile brands on the “Head Office to Head Office” network business platform, covering all key domestic automobile manufacturers; and developed partnership with 4,915 auto dealers, 199 dealers or 4.22% higher over the end of the previous year.

Cash Management

The Bank continued improving its cash management product system. Particulars include online operation of Cash Management version 5.3, Bank-Enterprise Direct Link version 4.2 and Online Financing System for B2B E-Commerce, expanding functionalities such as Wealth Management Account All in One, commercial draft business system, agency receipts and payments and online financing. In addition, the Bank further promoted construction of the depositary system for excess reserves from payment-institution customers, the cloud service platform for multi-bank fund management, and the business system for integration of wealth and asset management, all of which contributed to higher system performance and better customer experience.

As at the end of the reporting period, the number of group cash management projects and accounts of the Bank recorded 2,935 and 16,954 respectively, representing an increase of 448 projects and 1,806 accounts over the end of the previous year respectively. During the reporting period, the Bank realized RMB7.5 trillion transaction value of group cash management, up by RMB1.04 trillion or 16.1% year-on-year.

Special Business Area: Asset Custody Business

The custody business maintained a high growth during this reporting period. According to the bank's strategy, the new business has been paid equal attention as the traditional business and the product structure has been adapted for this strategy. At the same time the bank enhances safe operation, management foundation and service capacity, both of the business scale and income have reached the highest level in history. The bank's custody asset reached RMB1.468356 trillion at the end of the reporting period, which shows an increase of 102.41% compared with the end of the previous year. The scale of pension business under contract has increased by RMB7.604 billion, reaching RMB35.507 billion. The total income of custody business has increased 77.73%, which reached RMB407 million during the reporting period.

According to the China Banking Association, at the end of the reporting period, the Bank ranked No.2 based on the custody asset scale and No.5 based on the custody income among the joint-stock banks. Comparing with the end of previous year, it shows an increase of 4 positions and 1 position respectively.

Retail Finance Business

The Bank continued to accelerate strategic transformation of retail finance business. Focusing on "actual controllers of family wealth", the Bank developed unique products such as Fragrant Card, Happy Elderly Card and Going-abroad Finance to help customers create their family wealth management systems. Towards the strategic goal of "drive the focus of retail customers downward", the Bank intensified its efforts to construct retail channels so as to develop itself into a full-function retail bank, thereby improving both sales capacity and customer operation capability of its outlets.

As at the end of the reporting period, the number of individual customers of the Bank reached 35.50 million accounts, up by 7.93% over the end of the previous year; the Bank's balances of personal deposits and personal loans recorded RMB426.035 billion and RMB374.972 billion respectively, up by 16.09% and 17.16% over the end of the previous year respectively. AUM¹ of individual customers registered RMB688.529 billion, up by 28.24% over the end of the previous year; agency sales of wealth management products totalled RMB506.830 billion, up by 65.99% year-on-year; agency fund sales of the Bank reached RMB22.500 billion, up by 24.31% year-on-year; and insurance sales on agency basis amounted to RMB2.652 billion, up by 41.95% year-on-year. During the reporting period, the Bank achieved RMB8.994 billion operating income and RMB2.809 billion non-interest income from retail finance respectively, accounting for 18.68% of the Bank's total operating income and 32.32% of the Bank's total non-interest income respectively.

¹ To improve service quality and unify customer criteria, the Bank optimized and unified the classification criteria of retail customers, using AUM as the uniform threshold for stratification of customers. AUM, as the abbreviation of Assets Under Management, includes customer deposits, investment in wealth management products. The Bank made such adjustments on 1 January 2013. The corresponding AUM of individual customers under this definition stood at RMB536.915 billion at the end of the previous year.

Consumer Finance

In consumer finance, an area of the Bank's strategic transformation, the Bank focused on providing financing services to personal consumption (including but not limited to housing, automobile, decoration, tourism, education, healthcare and commodities) and acquired customers via indirect channels such as real estate developers, intermediaries, distributors, agents, traders, tourist companies and hospitals and direct channels such as online banking, telephone banking and physical outlets. During the reporting period, the Bank newly set up a Consumer Finance Department at the Head Office to take charge of marketing management and channel development of consumer finance business bank-wide and define product positioning by combing and integrating product systems. Efforts were made to design products in line with different risk features of different customer groups along with matching criteria, credit policy, business procedure and pricing criteria, and launch pertinent stratified products to different customers.

As at the end of the reporting period, the Bank recorded RMB245.183 billion loan balance for consumer finance¹, up by RMB27.239 billion or 12.50% over the end of the previous year. Incremental consumer finance loans during the reporting period stood at RMB54.001 billion, up by 128.81% year-on-year.

Wealth Management and Private Banking

The Bank re-defined its customer positioning and identified service standards for different layers of customers of retail banking to provide differentiated products and services thereto. During the reporting period, the Bank newly established a Wealth Management and Private Banking Department at the Head Office to integrate high-end retail customer and management resources, re-plan and re-deploy wealth management and private banking business in terms of brand development, R&D of proprietary products, cultivation of professional teams and systematic support.

As at the end of the reporting period, 269,679 people held VIP accounts¹ at the Bank each with over RMB500,000 AUM, representing an increase of 55,428 accounts or 25.87% over the end of the previous year; AUM balance of VIP customers reached RMB469.261 billion, up by RMB116.541 billion or 33.04% over the end of the previous year. Private banking customers each with more than RMB6 million AUM with the Bank numbered 10,651 accounts, representing an increase of 3,009 accounts or 39.37% over the end of the previous year; and AUM balance of private banking customers stood at RMB157.727 billion, representing an increase of RMB50.773 billion or 47.47% over the end of the previous year.

Credit Card

The Bank made proactive efforts to explore new operation models of credit card business in the mobile internet era. During the reporting period, the Bank initiated operation of its WeChat official account for credit card business, successfully launched the CNCB I Platinum Credit Card, fully upgraded rights and interests of Limitless Card, enhanced cross-sector cooperation with business partners in aviation and brand hotels, and innovatively released unique products such as Borrowing At Any Time Fund and New Dream-Fulfilling Fund, thereby further enriching its business products and channels. With high attention paid to better customer product experience, the Bank organized theme events including "9 Score Exchange", "Brilliant 365", "9 RMB Movie" and "Wonderful CITIC Business Circles" and launched borrowing-lending interactive marketing activities, which gradually developed the "Big Retail" customer operation system that featured interaction between credit card and retail finance.

¹ Consumer finance business of the Bank includes housing mortgage, auto, education, comprehensive consumption, commercial property and commercial vehical lending.

² As per the uniform criteria of retail finance business, the Bank adopted AUM as the uniform threshold for stratifying customers as of 1 January 2013. Under the new criteria, the Bank had 214,251 accounts of VIP customers with AUM balance of RMB352.720 billion and 7,642 accounts of private banking customers with AUM balance standing at RMB106.954 billion.

As at the end of the reporting period, the Bank issued a cumulative number of 18.7901 million credit cards, up by 20.70% year-on-year; registered RMB200.819 billion credit card transaction value, up by 73.63% year-on-year, and realized RMB3.866 billion income from credit card business, representing a growth of RMB1.287 billion or 49.89% year-on-year.

Small Enterprise Finance

During the reporting period, the Bank shifted small enterprise finance from corporate banking to retail banking, incorporated personal business loans into the line of small enterprise finance for management, and accelerated the development of small enterprise finance mechanisms and regulations via small and micro orientation of customer positioning, retail orientation of marketing events, standardization of product development, flow management of operation and intensive control of risks.

As at the end of the reporting period, the Bank recorded RMB93.550 billion balance of loans to small enterprises¹, up by RMB16.969 billion or 22.16% over the end of the previous year, markedly higher than the average growth rate of the Bank's loans in all categories; 21,591 accounts of small enterprise customers, up by 2,181 accounts over the end of the previous year; RMB4.33 million loan per account on average; NPL balance of RMB1.87 billion and NPL ratio of 2.00%, up by 0.98 percentage point over the end of the previous year. Loans to small enterprises kept a relatively high pricing level, with average interest rate of all loans for small enterprises enjoying 24.90% premium over the benchmark interest rate, markedly higher than the average interest rate premium level of corporate loans in general.

Special Business Area: Wealth Management Business

During the reporting period, the CBRC released the Notification on Several Issues of Regulating Investment Operation of Wealth Management Business of Commercial Banks (YIN JIAN FA [2013] No.8), putting forward further requirements on banks' investment and operation of wealth management business. Facing more stringent regulatory requirements, the Bank proactively adjusted the ratio of non-standard credit assets to ensure regulatory compliance of its wealth management business, accelerated the development of new product models of standard credit assets or investment assets increased the investment on PPN, asset securitization, money market tools, fixed income investment, and strengthened the efforts to the R&D of innovative standard investment products and wealth management products of investment assets.

As at the end of the reporting period, the existing size of wealth management products reached RMB411.744 billion, up by RMB133.244 billion or 47.87% over the end of the previous year. Within the same period, the Bank realized non-interest income RMB1.079 billion (including wealth management products, consignment sale of products from funds, brokers, insurances, trusts, etc.), enjoying a growth of RMB663 million or 159.38% year-on-year.

¹ Small enterprise customers of the Bank include small/micro enterprise legal person customers and personal business loan customers (excluding commercial housing and commercial vehicle business), of which small/micro enterprise legal person customers refer to small and micro enterprises satisfying the "criteria set by the four Ministries" and receiving no more than RMB10 million (inclusive) credit grant each.

Financial Market Business

In facing with the negative externalities of economic slowdown and narrowing credit interest spreads at the debt securities market, the Bank upheld the principles of “safety, liquidity and profitability” for bank operation on the financial market by maintaining reasonable duration of debt securities investment, grasping opportunities for foreign exchange and interest rate business transactions, and promoting growth of traditional business with innovative products and services. The Bank further strengthening the utilization of bonds repurchase, inter-bank borrowing and other money market instruments, increasing the participation in the money market, gradually enhancing its market influence, effectively improving the operating efficiency at the same time of developing its function of regulating the supply and demand of funds. During the reporting period, the Bank’s operating income from financial market business reached RMB3.550 billion, accounting for 7.37% of the Bank’s total operating income and non-interest income from financial market business totalled RMB734 million, accounting for 8.45% of the Bank’s total net non-interest income.

Financial Market Business

Benefiting from its proactive efforts in money market business such as Renminbi inter-bank borrowings and bond repos, the Bank was able to consolidate and expand its business channels and achieve steady growth of its transaction volume. When supply and demand of market funds changed and interest rate fluctuated, money market business, as an important tool for liquidity management, played a positive role in increasing sources of liquid funds and improving short-term returns of fund operation.

The Bank continued to enhance product innovation capabilities and market risk management for foreign exchange market-making business, satisfying customers’ needs for hedging foreign exchange risk and yield enhancement, improving the autonomous pricing and trading capabilities. Pushed forward its Renminbi denominated bond market making business, interest rate derivatives market making business and group subscription business, thereby building up its capability for market pricing and trend judgment, further adapted to customers’ actual demand and developed RMB-denominated derivatives products to satisfy customers’ needs for managing financial risks and improving financial earnings.

The Bank, in pursuance of its prudent development strategy, placed its focus on standard simple derivatives business, and satisfied customer demands for financial management with controllable risks mainly through simple interest rate derivatives. Meanwhile, with full use of its competitiveness in market research, the Bank provided customers with high quality professional hedging services.

The Bank adopted a prudent investment strategy for Renminbi denominated bond investment, took an appropriate grasp of market rhythm, made timely adjustment of bond duration, optimized asset structure and paid equal attention to return on asset and market risk. Highlighting structural adjustment of foreign-currency bond investment, the Bank actively reduced assets with high expected risks, and thus further enhanced yield stability and risk resilience of its assets in general. As at the end of the reporting period, the Bank achieved 3.85% average yield for both Renminbi and foreign-currency self-operated bond investment.

Interbank Business

The Bank further improved the product system for its inter-bank business, deepened customer marketing and optimized performance incentives. Through proactive R&D and promotion of new products such as transfer of inter-bank assets and relief of inter-bank credit granting risks, the Bank paced up expansion of fund application channels and sources of income.

As at the end of the reporting period, interbank liabilities and assets of the Bank stood at RMB501.368 billion and RMB538.360 billion respectively, representing an increase of RMB90.711 billion or 22.09% and RMB104.752 billion or 24.16% over the end of the previous year respectively.

Online Banking

Based on the strategic vision of “creating another CITIC Bank online”, the Bank drove forward its efforts to enhance internet-based financial services and provision of financial solutions on internet and was thereby able to maintain the momentum of rapid growth of all business lines. During the reporting period, the Bank realized RMB174.70 million income from intermediate business of online banking, up by 56.17% year-on-year.

Internet-based Financial Business

The Bank exerted enthusiastic efforts to promote internet-based financial business, guiding customers to buy financial products, carry out financial transactions and obtain financial services via the internet so as to improve efficiency of customer service provision and save customer transaction cost. As at the end of the reporting period, personal internet banking customers of the Bank numbered 8.8259 million accounts, representing an increase of 1.2593 million accounts or 16.64% over the end of the previous year; corporate e-banking customers¹ numbered 199,090 accounts, representing an increase of 15,529 accounts or 8.44% over the end of the previous year. As at the end of the reporting period, the Bank had 2.2443 million personal mobile banking customers, representing an increase of 978,570 accounts or 77.31% over the end of the previous year.

Through the series of marketing activities conducted in the name “E-Loving”, the Bank promoted active use of online banking among customers and improved transaction substitution rate. During the reporting period, the transaction substitution rate of online banking reached 42.45%, up by 28.05% year-on-year. The number and volume of personal internet banking transactions stood at 46.8717 million and RMB2.41 trillion respectively, up by 95.21% and 66.47% year-on-year respectively. The number and value of corporate e-banking transactions recorded 11.0474 million and RMB12.04 trillion respectively, up by 36.28% and 19.12% year-on-year respectively. The Bank’s personal mobile banking business recorded 379,800 transactions and RMB4.867 billion transaction value, amounting to 3.6 times and 7.8 times the previous-year figures respectively.

¹ Corporate e-banking includes corporate internet banking, bank-enterprise direct link, gateway, mobile banking, telephone banking, text message banking etc.

For the purpose of enhancing customer experience, the Bank accelerated enrichment of its online banking platforms and functions. The Bank launched its online financial mall featuring open-shelf display of products and multi-dimensional interaction between the Bank and its customers, further improving platform construction. The Bank launched NFC mobile payment together with China UnionPay, and independently developed the “Cyber Payment” product series represented by QR code payment, achieving a breakthrough in the application of new technologies. The Bank’s online financial mall has launched unique functions such as online payment of visa fees to the US Embassy and online account opening. Personal internet banking is now capable of real-time FOREX settlement and sales and automatic batch pooling of funds. Corporate internet banking offers standard supply chain financial products. And mobile banking assumes new functions such as donation and financial assistant (both being fund and wealth management products), further enriching the functions of online banking platform.

Finance-based Internet Business

The Bank devotes itself to providing the internet industry with financial solutions. Through service solutions such as “Cyber Payment”, internet lending, and fund management (regulation and settlement), the Bank serves multiple customers including “online stores, internet enterprises, internet government and internet users (netizens)”. “Cyber Payment” of the Bank covers a series of new payment services including QR code payment, NFC mobile payment, cross-banks bill collection. For internet lending, the Bank has basically built in place a new model ranging from online application, acceptance, review and approval of applications, disbursement of loans and off-site post-lending management, providing services of online business loans and consumer loans to buyers and sellers of the e-commerce platform.

During the reporting period, the Bank newly acquired 78 cooperative e-commerce enterprises, up by 225% year-on-year, including 18 non-financial payment institutions and 60 directly-linked enterprises, totalling 244 cooperative enterprises.

Integrated Financial Service Platform of CITIC Group

CITIC Group has numerous financial subsidiaries that are engaged in multiple business areas including banking, securities, insurance, fund, trust and futures, most of which are leaders in their respective sectors. The Bank has achieved its unique competitive advantages via the integrated financial service platform of CITIC Group on the condition in compliance with laws and regulations. In the meantime, the Bank has continuously consolidated its cooperation with CIFH and CNCBI to steadily advance its “going global” strategy.

Sharing of Channel Resources

Through agency product sales at physical outlets and via online banking, the Bank cooperated with subsidiaries of the CITIC Group such as CITIC Securities, CITIC-Prudential Insurance, Tianan Insurance, CITIC-Prudential Fund Management, CITIC Real Estate, CITIC Tourism and CITIC Press for sharing of channel resources.

Via its physical outlets, the Bank agency sold 15 products of CITIC Securities totalling RMB2.671 billion in value, 29 products of CITIC-Prudential Insurance and Tianan Insurance valued at RMB1.679 billion in total, 22 products of CITIC-Prudential Fund Management totaling RMB3.197 billion in value, and 36 products of China AMC valued at RMB526 million in total. Through online banking, the Bank agency sold RMB2.100 billion fund products of CITIC-Prudential Fund Management and China AMC as well as RMB63.558 billion wealth management products of CITIC Securities and CITIC Trust. CITIC Securities, CITIC-Prudential Insurance, CITIC Futures, CITIC-Prudential Fund Management, CITIC Real Estate, CITIC Tourism and CITIC Press also shared their institutional and outlet resources with the Bank by means of personnel dispatching, joint organization of marketing events and display of publicity materials about the Bank.

Joint R&D and Cross Selling of Products

The Bank carried out extensive cooperation with financial subsidiaries of CITIC Group in areas including wealth management products, third-party depositary services, custody, bond underwriting, corporate annuity and co-brand cards and thereby provided customers with differentiated integrated financial services.

In terms of research and development of wealth management products, the Bank researched and developed 171 wealth management products and realized sales value of RMB85.890 billion in cooperation with CITIC Securities, CITIC Trust and China Securities.

In terms of third-party depositary business, the Bank shared 6,366 institutional customers and 368,937 individual customers in third-party depositary business with CITIC Securities, CITIC Securities (Zhejiang), CITIC Wantong Securities and China Securities.

In terms of custody business, the custody scale of PE and trust scheme jointly launched by the Bank and CITIC Trust reached RMB80.739 billion; the custody scale of PE and asset management scheme jointly launched by the Bank and CITIC Securities totalled RMB93.073 billion; and investment funds jointly launched by the Bank and CITIC-Prudential Fund registered RMB2.013 billion in scale.

With regard to bond underwriting, the Bank and CITIC Securities jointly underwrote RMB9.9 billion debt financing tools for customers through underwriting of short-term financing bills, medium-term notes and PPN.

With regard to corporate annuity, corporate annuity business with CITIC Securities, CITIC Trust and China AMC as trustee and CITIC Bank as custodian totalled RMB576 million, RMB76 million and RMB853 million respectively, while corporate annuity cooperated with CITIC Securities and China AMC and that cooperated with CITIC Securities and CITIC Trust fetched RMB4.805 billion and RMB3.670 billion in value respectively.

With regard to co-brand credit cards, the Bank has issued a cumulative number of 301, 10,689 and 2,489 “Co-Brand Cards” in cooperation with CITIC Real Estate, CITIC-Prudential Insurance, and Tianan Insurance respectively.

Distribution Channels

Branches

The Bank continued to improve the geographic layout of its branches by filling up gaps in outlet establishment in provincial capitals, further speeding up branch development in economically developed prefecture-level municipalities and increasing density of outlets in key areas. During the reporting period, the Bank newly set up two tier-1 branches (in Xining and Yinchuan respectively), three tier-2 branches (in Jilin, Zunyi and Ningde respectively), and 33 sub-branches. As at the end of the reporting period, the Bank had 923 domestic branches and sub-branches, including 42 tier-1 branches, 59 tier-2 branches and 822 sub-branches.

The Bank conducted commercial banking business in Hong Kong SAR and overseas countries and regions via CNCBI, the wholly owned subsidiary of its controlled subsidiary CIFH. As at the end of the reporting period, CNCBI had 34 physical outlets in Hong Kong SAR with overseas branches available in Macau SAR, Singapore, New York and Los Angeles.

Self-Service Outlets and Self-Service Terminals

During the reporting period, in parallel with enhanced risk prevention of self-service banking, the Bank also made efforts to expand the distribution network of self-service banks and equipment and raise the rate of transactions substituted by self-service equipment. As at the end of the reporting period, the Bank had established 1,688 self-service banks and installed 5,738 units of self-service equipment (ATM, CDM and CRS) in Chinese Mainland, up by 7.38% and 8.14% respectively over the end of the previous year.

Telephone Banking

The Bank provides telephone banking services to customers via its Telephone Customer Service Center. During the reporting period, the Service Hotline of the Bank's Customer Service Center received 23.54 million incoming calls, including 20.83 million automated phone answering service calls and 2.71 million manual service calls, achieving a ≤ 20 seconds response rate of 92.07% for all manual service calls, a customer satisfaction rate of 98.83%, and a 96.55% satisfaction rate with handling of customer complaints. The Bank's Customer Service Center made outbound telephone calls to 1.1472 million (person-times) customers to proactively market all sorts of bank cards and sell precious metal products issued by the Bank.

Online Banking

Please refer to "Online Banking" under "Report of the Board of Directors" for details.

Information Technology

During the reporting period, the Bank insisted upon guiding development of information technology with its new development strategy. While continuously promoting key projects including construction of new core business systems, the Bank completed a series of business innovations such as internet lending, mobile payment and payment of visa fees to the USA Embassy, initiated construction of a framework for new business items, carried out planning

and design of the enterprise data structure, and enhanced IT services to outlet development, all of which effectively supported business growth of the Bank. Further, the Bank reinforced refined internal management of information technology, enhanced safety operation control, and ensured safe and stable operation of the IT system bank-wide via risk reviewing of important information systems, optimizing information system processing mechanism and performance and strengthening management of quality, changes and emergency responses.

Subsidiary Business

CITIC International Financial Holdings Limited (CIFH)

CIFH is the main platform for the Bank to conduct its overseas business, with the Bank and BBVA holding 70.32% and 29.68% of its equity interests respectively. CIFH specializes in commercial banking business and non-banking financial services with its commercial banking business mainly provided by CNCBI, its wholly-owned subsidiary. In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM, and 21.39% in CITIC Capital.

As at the end of the reporting period, CIFH had total assets equivalent to HKD186.894 billion, representing an increase of 4.4% over the end of the previous year. During the reporting period, CIFH realized a net profit equivalent to HKD1.039 billion, representing an increase of 18.4% year-on-year.

——CNCBI: Through close cooperation with the Bank and by seizing the opportunity presented by continuous development of offshore Renminbi business in Hong Kong and building upon its leading advantages therein, CNCBI effectively satisfied customer need for investment and risk hedging with the provision of all-round Renmibi products and services. During the reporting period, CNCBI continued to optimize its asset structure and put deposit and liabilities costs under strict control. As a result, its income and profit both registered rapid growth, with operating income rising to HKD2.243 billion, representing a growth of 19.9% year-on-year, and net profit attributable to shareholders reaching HKD1.053 billion, up by 16.4% year-on-year.

——CIAM: In pursuance of the vision “Investing with strong entrepreneurial orientation”, CIAM is gradually fine-tuning the asset portfolio. During the period, CIAM focused on cultivating the enterprises in identified sector. Besides, we also strive to deepen the upstream and downstream integration in those sectors and to create potential synergy for the stakeholders.

——CITIC Capital: During the reporting period, CITIC Capital successfully completed financing of several funds including CITIC Capital China Retail Property Fund, Housing Development Joint Investment Platform Fund, CITIC Capital International Fund III, and CITIC Capital Venture USD Fund I. As at the end of the reporting period, total assets managed by CITIC Capital approximated USD4.1 billion, basically stable in value.

China Investment and Finance Limited (CIFL)

CIFL is a controlled subsidiary of the Bank established and located in Hong Kong SAR with a registered capital of HKD25 million. The Bank holds 95% of equity interest and CNCBI holds the rest 5% in CIFL. CIFL’s business covers lending (CIFL holds a money lender license in Hong Kong) and investment (including fund investment, bond investment and equity investment, etc.).

During the reporting period, CIFL continued to enhance business cooperation with the Bank's branches in mainland China and drove forward key business areas with greater vigor while making continuous efforts to strengthen risk management and improving return on asset. As at the end of the reporting period, CIFL had total assets equivalent to RMB1.001 billion, down by 7.67% year-on-year; and realized net profit equivalent to RMB30 million, up by 130.77% year-on-year.

Zhejiang Lin'an CITIC Rural Bank

Zhejiang Lin'an CITIC Rural Bank, the first rural bank established by the Bank, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. As at the end of the reporting period, Lin'an CITIC Rural Bank recorded a deposit balance of RMB490 million and a loan balance of RMB453 million. During the reporting period, the rural bank realized a net profit of RMB5 million and was free of criminal cases, material errors and safety accidents.

Risk Management

Credit Risk Management

Risk Management of Corporate Loans

During the reporting period, in face with the joint impacts of macroscopic economic slowdown, more intensive government attempts at economic restructuring, de-capacity of the real economy and de-leveraging of the financial sector, the Bank reinforced management of key credit risk areas and tightened credit-granting criteria to prevent credit risk in a proactive manner.

In terms of local government financing vehicle (LGFV) loans, the Bank continued with its strict quantitative control of total LGFV loans, practiced comprehensive management of on- and off-balance sheet finance limits and took into comprehensive consideration the matching of total LGFV loan scale with solvency of the concerned local governments, so as to reinforce all-round LGFV risk management, prudently held LGFV bonds and strictly forbade provision of guarantee for LGFV bond issuance.

In terms of property loans, due to impacts of the macroscopic readjustment policy, the Bank continued with total quota control of property sector, paid close attention to the latest trends of risk changes, and further strengthened risk management and control via management of on- and off-balance sheet finance limits plus name-list management and standard review of customers.

In terms of loans to industries with overcapacity, the Bank further reinforced credit risk management of over-capacity industries, including steel, non-ferrous metals, ship building and PV, strengthened quantitative control and appropriate compression, strictly reviewed truthfulness of trade backgrounds, reinforced regulation of third-party supervision companies, sped up exiting from high-risk customers and intensified collection of non-performing loans and liability definition & pursuit thereof.

Risk Management in Small Enterprise Loan

In accordance with its uniform risk management program (adjusted version), the Bank continued to improve risk management and control of small enterprise finance and smooth out the process for risk management of small enterprises. As per the customer positioning of “focusing on small and micro enterprises, retail enterprises and batches of enterprises”, the Bank incorporated personal business loans into small enterprise business for unified management and further enhanced the level of professional risk control over small enterprise finance.

With emphasis placed on the business model of “Planning First, Marketing in Batches”, the Bank reinforced market planning, conducted all-round analysis of advantageous industrial clusters in combination with regional economic features and industry policies, took the lead to make accession rules for relevant industries, markets and clusters, and embedded customer access management into its credit granting process to control access of batch customers from the sources.

The Bank conducted risk monitoring and inspection of credit grants to small enterprises by multiple means, established the mechanism for monitoring and analysis of credit risk of small enterprises whereby regular analysis and assessment is conducted over the risks of credit granting to small enterprises from multiple perspectives including geographic region, industry, product and guarantee, and reinforced special risk monitoring and inspection of special business areas.

Risk Management in Credit Card Business

The Bank executed multi-phased management of credit card risk before, during and after lending and set up a full-process risk control mechanism covering marketing, issuance, approval and usage of credit cards and debt collection thereof. Further efforts were made to construct the credit structure management system for credit cards; credit resources were planned and allocated from the perspective of customer group structure and asset composition; integrated use was made of credit products and quota management to adjust the granting of credit and improve the efficiency of resource allocation. In addition, the Bank enhanced application of credit card risk measurement tools and furthered the approach and extent of applying such tools in risk management to provide the basis for designing differentiated risk management and control strategies and credit products.

Risk Management in Financial Market Business

During the reporting period, the Bank prudently conducted its securities investment business and provided customers with risk mitigation and value adding services. With regard to Renminbi denominated bond investment, the Bank focused on premium enterprises in relevant sectors as key credit investment targets. With regard to foreign currency denominated bond investment, the Bank adopted measures to adjust its asset structure as a proactive response to potential adverse situations arising from overseas sovereign debt crisis during the reporting period.

The Bank continued to enhance development of its credit management system for more refined management.

During the first half of 2013, the Bank strengthened credit management by the construction of ten systems, covering human resources, credit management concept, management performance evaluation, loan disbursement management, early warning, risk dissolution, loan collection, information management, statistical analysis and training, reinforced operational risk management for loan disbursement, upgraded the capacity for effective detection, disclosure and timely dissolution of credit risk, ensured timely full-amount recovery of loans and ensured safety of credit assets.

The Bank refined and upgraded its credit management capacity, including: improving management of the credit process via institutional revision, enhancement and implementation; refining planning and performance evaluation plus more vigorous on-site inspection for better asset quality management; facilitating credit management in key business areas such as LGFV loans, key geographical regions and key industries and risk dissolution in key areas; upgrading data quality and advancing ICT development for stronger credit management ability and statistical analysis capacity; driving forward guidance and training efforts to upgrade the development of human resources; conducting more stringent management performance evaluation to clarify management targets; and enhancing the HR system and basic management for higher management efficiency.

Credit Risk Analysis

Distribution of Loans

Concentration of Loans by Geographic Regions

The Group continuously optimized the geographical layout of its credit assets, as a result of which, loans to different regions grew in a coordinative manner. While prioritizing its support to loans granted to the central and western regions, the Group also maintained steady growth of credit grant to economically developed areas such as the Yangtze River Delta. As at the end of the reporting period, the Group's loans to the Pearl River Delta, the central and western regions registered the fastest growth, recording 16.91%, 12.76% and 10.51% respectively, all being higher than the Group's average loan growth rate. The Bohai Rim registered the highest growth of incremental loans, representing an increase of RMB38.888 billion or 8.90% over the end of the previous year.

The Group

Unit: RMB million

Region	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	452,107	24.78	427,019	25.68
Bohai Rim ⁽¹⁾	475,631	26.08	436,743	26.26
Pearl River Delta and West Strait	265,369	14.54	226,989	13.65
Central region	246,703	13.52	223,232	13.43
Western region	240,864	13.20	213,609	12.85
Northeastern region	56,616	3.10	53,108	3.19
Overseas	87,262	4.78	82,201	4.94
Total Loans	1,824,552	100.00	1,662,901	100.00

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

Region	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	449,320	25.96	424,908	26.95
Bohai Rim ⁽¹⁾	473,969	27.38	435,620	27.63
Pearl River Delta and West Strait	263,552	15.23	226,148	14.34
Central region	246,703	14.25	223,232	14.16
Western region	240,864	13.91	213,609	13.55
Northeastern region	56,616	3.27	53,108	3.37
Total Loans	1,731,024	100.00	1,576,625	100.00

Note: (1) Including the Head Office.

Concentration of Loans by Products

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) registered RMB1.360245 trillion, representing a stable growth of RMB106.985 billion or 8.54% over the end of the previous year; its personal loans grew at a fast pace with balance proportion going up to 21.34%, representing an increase of RMB54.720 billion or 16.35% over the end of the previous year, 6.63 percentage points above the average growth rate; and balance of discounted bills reached RMB74.940 billion, basically the same as that at the end of the previous year.

The Group

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,360,245	74.55	1,253,260	75.37
Personal loans	389,367	21.34	334,647	20.12
Discounted bills	74,940	4.11	74,994	4.51
Total loans	1,824,552	100.00	1,662,901	100.00

The Bank

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,288,388	74.43	1,188,415	75.38
Personal loans	374,972	21.66	320,044	20.30
Discounted bills	67,664	3.91	68,166	4.32
Total loans	1,731,024	100.00	1,576,625	100.00

Concentration of Loans by Sectors

In the first half of 2013, the Group intensified its efforts in adjusting sector structure of its loans, prioritizing allocation of its credit resources to the real economy and supply chain finance while tightening risk control over sectors that suffered over capacity or heavy impacts of the macro-economic re-adjustment policy.

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) stood at RMB1.360245 trillion, of which, loan balances of the four sectors including manufacturing, wholesale and retail, transportation, warehousing and postal service and real estate jointly accounted for 68.38%, or amounted to RMB384.766 billion, RMB274.905 billion, RMB139.611 billion and RMB130.885 billion respectively. In terms of the breakdown of incremental loan, wholesale and retail sector scored the fastest growth, registering an increase of RMB42.653 billion, or 18.36% over the end of the previous year, followed by manufacturing, which registered an increase of RMB28.141 billion or 7.89% over the end of the previous year; and the building industry took the third place, with an increase of RMB9.540 billion or 14.99% over the end of the previous year.

The Group continued to control its credit resources flowing into the real estate sector and sectors that featured long loan maturities, weak bargaining power and relatively low integrated returns. As at the end of the reporting period, the loan balances of the three sectors, namely, production and supply of power, gas and water, real estate, and public and social organizations declined by RMB3.064 billion, RMB3.042 billion and RMB722 million, respectively, or down by 5.16%, 2.27% and 4.07% respectively over the end of the previous year.

The Group

Unit: RMB million

Sector	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	384,766	28.29	356,625	28.46
Transportation, warehousing and postal service	139,611	10.26	135,952	10.85
Production and supply of power, gas, water	56,265	4.14	59,329	4.73
Wholesale and retail	274,905	20.21	232,252	18.53
Real estate	130,885	9.62	133,927	10.69
Water conservancy, environment and public utilities management	69,979	5.14	62,897	5.02
Leasing and commercial services	59,651	4.39	53,886	4.30
Construction	73,193	5.38	63,653	5.08
Public and social organizations	17,001	1.25	17,723	1.41
Others	153,989	11.32	137,016	10.93
Total corporate loans	1,360,245	100.00	1,253,260	100.00

Unit: RMB million

Sector	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	379,477	29.45	352,782	29.68
Transportation, warehousing and postal service	137,435	10.67	133,782	11.26
Production and supply of power, gas, water	55,863	4.34	59,017	4.97
Wholesale and retail	265,372	20.60	220,334	18.54
Real estate	118,966	9.23	127,183	10.70
Water conservancy, environment and public utilities management	69,929	5.43	62,897	5.29
Leasing and commercial services	59,348	4.61	53,710	4.52
Construction	72,738	5.65	63,403	5.34
Public and social organizations	17,001	1.32	17,723	1.49
Others	112,259	8.70	97,584	8.21
Total corporate loans	1,288,388	100.00	1,188,415	100.00

Breakdown of Loans by Type of Guarantee

During the reporting period, the Group continuously optimized the structure of guarantees and strengthened loan risk mitigation and relief. The proportion of the balance of unsecured loans maintained the downward trend, while the proportion of the balance of collateral and pledged loans kept rising. As at the end of the reporting period, the balance of collateral and pledged loans stood at RMB949.916 billion, up by RMB109.755 billion or 13.06% over the end of the previous year, and their proportion reached 52.06%, 1.54 percentage points higher over the end of the previous year; and the balance of unsecured and guaranteed loans amounted to RMB799.696 billion, accounting for 43.83% of total loans, down by 1.14 percentage points over the end of the previous year.

The Group

Unit: RMB million

Type of Guarantee	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	351,734	19.28	329,704	19.83
Guaranteed loans	447,962	24.55	418,042	25.14
Collateral loans	693,882	38.03	630,393	37.91
Pledged loans	256,034	14.03	209,768	12.61
Subtotal	1,749,612	95.89	1,587,907	95.49
Discounted bills	74,940	4.11	74,994	4.51
Total loans	1,824,552	100.00	1,662,901	100.00

The Bank

Unit: RMB million

Type of Guarantee	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	336,067	19.41	317,351	20.13
Guaranteed loans	416,049	24.03	390,625	24.78
Collateral loans	659,456	38.10	595,688	37.78
Pledged loans	251,788	14.55	204,795	12.99
Subtotal	1,663,360	96.09	1,508,459	95.68
Discounted bills	67,664	3.91	68,166	4.32
Total loans	1,731,024	100.00	1,576,625	100.00

Concentration of Customers of Corporate Loans

The Group emphasized centralized risk control over its corporate loan customers. During the reporting period, the Group complied with the applicable regulatory requirements related to concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, one borrower can be the related party of another borrower.

The Group

Major regulatory indicator	Regulatory Standard	30 June 2013	31 December 2012	31 December 2011
Percentage of loans to the largest single customer (%)	≤ 10	3.64	3.80	3.78
Percentage of loans to the top 10 customers (%)	≤ 50	19.16	20.98	22.12

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

The Group

Unit: RMB million

		30 June 2013		
Sector		Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	9,978	0.55	3.64
Borrower B	Manufacturing	8,584	0.47	3.13
Borrower C	Transportation, warehousing and postal service	8,470	0.46	3.09
Borrower D	Transportation, warehousing and postal service	4,147	0.23	1.51
Borrower E	Transportation, warehousing and postal service	4,047	0.22	1.47
Borrower F	Transportation, warehousing and postal service	3,866	0.21	1.41
Borrower G	Manufacturing	3,840	0.21	1.40
Borrower H	Transportation, warehousing and postal service	3,342	0.18	1.22
Borrower I	Mining	3,294	0.18	1.20
Borrower J	Real estate	3,000	0.16	1.09
Total loans		52,568	2.87	19.16

The Group focused on supporting large-scale premium infrastructure projects and large premium customers. As at the end of the reporting period, total balance of loans from the Group to the top 10 corporate customers amounted to RMB52.568 billion, accounting for 2.87% of its total loans and 19.16% of its net capital, down by 1.82 percentage points over the end of the previous year.

Loan Quality Analysis

Five-Class Loan Classification

The Bank measures and manages the quality of its credit assets pursuant to the Guidelines on the Classification of Loan Risks promulgated by the CBRC, which requires Chinese commercial banks to classify their credit assets into five classes, i.e., normal, special mention, sub-standard, doubtful and loss, of which the last three classes are treated as non-performing loans (NPLs).

In the first half of 2013, the Bank continued to enhance its centralized management of the different loan classes and improved its classified management of credit asset risks. While adhering to the core criteria of “safety of loan collection”, the Bank treated different classes of loans with different risk management measures after taking into full consideration of various factors that may impact the quality of credit assets.

The Bank’s procedure for identifying loan risk classification includes the following steps in sequence: post-lending inspection conducted by business departments; preliminary opinions proposed by credit departments of branches, initial identification by credit management departments of branches; chief of risk management at the branches reviewing the results, Head Office finalizing the identification. To those loans with material changes in risk profiles, the Bank will conduct dynamic adjustment on their classification.

During the reporting period, based on continuing collaboration with external auditors, the Bank completed sample review of credit quality and risk classification (focusing on loans to SMEs), further enhanced truthfulness and accuracy of loan classification.

The Group

Unit: RMB million

Category	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,788,805	98.04	1,631,235	98.09
Special mention	19,377	1.06	19,411	1.17
Sub-standard	11,584	0.64	6,448	0.39
Doubtful	4,773	0.26	4,778	0.29
Loss	13	—	1,029	0.06
Total Loans	<u>1,824,552</u>	<u>100.00</u>	<u>1,662,901</u>	<u>100.00</u>
Performing loans	1,808,182	99.10	1,650,646	99.26
Non-performing loans	16,370	0.90	12,255	0.74

Note: Performing loans include normal loans and special mention loans; and non-performing loans include sub-standard loans, doubtful loans and loss loans.

Unit: RMB million

Category	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,696,200	97.99	1,546,363	98.08
Special mention	18,933	1.09	18,393	1.17
Sub-standard	11,439	0.66	6,403	0.41
Doubtful	4,452	0.26	4,459	0.28
Loss	—	—	1,007	0.06
Total Loans	1,731,024	100.00	1,576,625	100.00
Performing loans	1,715,133	99.08	1,564,756	99.25
Non-performing loans	15,891	0.92	11,869	0.75

Note: Performing loans include normal loans and special mention loans; and non-performing loans include sub-standard loans, doubtful loans and loss loans.

As at the end of the reporting period, the balance of normal loans increased by RMB157.570 billion over the end of the previous year, accounting for 98.04% of the total loans, and representing a drop of 0.05 percentage point over the end of the previous year. The balance of special-mention loans was basically the same as that at the end of the previous year, accounting for 1.06% of the total loans, representing a 0.11 percentage point decline over the end of the previous year.

As at the end of the reporting period, the balance of the Group's NPLs, recognized in accordance with the regulatory risk classification standard, stood at RMB16.370 billion, up by RMB4.115 billion over the end of the previous year; and its NPL ratio was 0.90%, up by 0.16 percentage point over the end of the previous year. In terms of the composition of NPLs, the balance of sub-standard loans went up by RMB5.136 billion over the end of the previous year, representing an increase of 0.25 percentage point in terms of their proportion in total loans, which mainly resulted from the appearance of credit risk and the consequent NPLs among private SMEs (especially those engaged in steel trade) in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim due to impacts of the macro-economic and monetary policies. The balances and proportions of both doubtful and loss loans enjoyed some decrease over the end of the previous year mainly due to the Group's continuous efforts in strengthening collection and write-off for improvement of loan quality. During the reporting period, the Group wrote off RMB3.307 billion NPL principal.

During the reporting period, the Group witnessed “dual rise” of both NPL balance and NPL ratio, which was consistent with the marked slowdown of China's macroeconomic growth since 2013. Since the beginning of 2013, the Group made estimation regarding loan quality and took relevant measures. The Group expects the change in loan quality to be within expectation.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five classes during the indicated periods.

The Bank

Item	30 June 2013	31 December 2012	31 December 2011
Migration ratio of normal loans (%)	1.06	1.16	1.06
Migration ratio of special mention loans (%)	20.26	6.35	6.37
Migration ratio of sub-standard loans (%)	24.64	24.06	8.22
Migration ratio of doubtful loans (%)	5.90	5.70	2.27
Migration ratio of performing loans to non-performing loans (%)	0.42	0.36	0.21

As at the end of the reporting period, the Bank recorded slight rise in the migration ratio of normal loans as compared with that at the end of the previous year. The major reason was increasing credit risk of the borrowers due to the impacts of multiple factors including macro-economic slowdown, insufficient domestic and overseas demands and the tightening monetary policy, which led to the increase of loans migrating from normal to non-performing compared with last year.

Overdue Loans

The Group

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,793,867	98.31	1,641,416	98.71
Loans overdue ⁽¹⁾ :				
1-90 days	14,187	0.78	11,703	0.7
91-180 days	6,878	0.38	2,992	0.18
181 days or above	9,620	0.53	6,790	0.41
Subtotal	30,685	1.69	21,485	1.29
Total loans	1,824,552	100.00	1,662,901	100.00
Loans overdue for 91 days or above	16,498	0.91	9,782	0.59
Restructured loans ⁽²⁾	5,115	0.28	4,775	0.29

Notes: (1) Loans overdue refer to loans with principal or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions (e.g. amount and term) of which have been rearranged.

Unit: RMB million

Item	30 June 2013		31 December 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,701,419	98.28	1,555,889	98.68
Loans overdue ⁽¹⁾ :				
1-90 days	13,465	0.78	11,297	0.72
91-180 days	6,845	0.40	2,987	0.19
181 days or above	9,295	0.54	6,452	0.41
Subtotal	29,605	1.72	20,736	1.32
Total loans	1,731,024	100.00	1,576,625	100.00
Loans overdue for				
91 days or above	16,140	0.94	9,439	0.60
Restructured loans ⁽²⁾	4,380	0.25	4,056	0.26

Notes: (1) Loans overdue refer to loans with principal or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions (e.g. amount and term) of which have been rearranged.

During the reporting period, the Group recorded a larger incremental amount of overdue loans than the previous year due to the impact of the macro economic situation. As at the end of the reporting period, the proportion of overdue loans in total loans increased by 0.4 percentage point over the end of the previous year, of which 46% were short-term and temporary overdue loans with a maturity of less than 3 months. These loans were overdue mainly because the borrowers suffered from tight fund chains or even break of fund chains as a result of longer cycle for cash recovery, greater difficulty in obtaining bank finance or reduction of loan scale by banks. Based on its continuously reinforced monitoring over the overdue loan principals and interests, monthly notification of overdue situations of loan principal and interests of each branch, and urging the branches to accelerate recovery of overdue loans, the Group maintained a basically stable recovery ratio of loans upon maturity, which was higher than 99%.

Breakdown of NPLs by Products

The Group

Unit: RMB million

Item	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	14,715	89.89	1.08	10,963	89.45	0.87
Personal loans	1,647	10.06	0.42	1,284	10.48	0.38
Discounted bills	8	0.05	0.01	8	0.07	0.01
Total	16,370	100.00	0.90	12,255	100.00	0.74

The Bank

Unit: RMB million

Item	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	14,245	89.64	1.11	10,588	89.20	0.89
Personal loans	1,638	10.31	0.44	1,273	10.73	0.40
Discounted bills	8	0.05	0.01	8	0.07	0.01
Total	15,891	100.00	0.92	11,869	100.00	0.75

As at the end of the reporting period, the Group recorded “dual rise” of both corporate and personal NPLs compared with the end of the previous year. The balance of corporate NPLs and corporate NPL ratio increased by RMB3.752 billion and 0.21 percentage point respectively; and its balance of personal NPLs and personal NPL ratio grew by RMB363 million and 0.04 percentage point respectively. Quality of discounted bills, however, remained sound, throughout the reporting period.

Breakdown of NPLs by Geographic Locations

The Group

Unit: RMB million

Region	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,027	61.26	2.22	5,275	43.04	1.24
Bohai Rim	1,757	10.73	0.37	2,581	21.06	0.59
Pearl River Delta and West Strait	2,196	13.41	0.83	2,244	18.31	0.99
Central region	724	4.42	0.29	625	5.10	0.28
Western region	410	2.50	0.17	492	4.01	0.23
Northeastern region	875	5.35	1.54	715	5.84	1.35
Overseas	381	2.33	0.44	323	2.64	0.39
Total	16,370	100.00	0.90	12,255	100.00	0.74

The Bank

Unit: RMB million

Region	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Yangtze River Delta	10,007	62.97	2.23	5,257	44.29	1.24
Bohai Rim	1,713	10.78	0.36	2,536	21.37	0.58
Pearl River Delta and West Strait	2,162	13.61	0.82	2,244	18.91	0.99
Central region	724	4.56	0.29	625	5.26	0.28
Western region	410	2.58	0.17	492	4.15	0.23
Northeastern region	875	5.50	1.54	715	6.02	1.35
Total	15,891	100.00	0.92	11,869	100.00	0.75

During the reporting period, due to the impact of multiple factors including slowdown of macro-economic growth, insufficient domestic and overseas demands and a tightening monetary policy, some SMEs (especially those engaged in steel trade) in the Yangtze River Delta where the private economy, export processing and international trade used to be economic highlights suffered stagnation of business operation, tight fund chains or break of fund chains and greater difficulty in obtaining bank finance, which led to decline in quality of loans granted to these areas. As at the end of the reporting period, balance of NPLs in the Yangtze River Delta increased by RMB4.752 billion over the end of the previous year, and the corresponding NPL ratios for this area rose by 0.98 percentage point over the end of the previous year. Incremental NPLs were mainly concentrated in these localities during the reporting period.

The overall domestic economic situation also led to slight increase in NPLs in the Central and Northeastern regions for the Group. In general, the Group's NPL ratios in the Central Region, the Western Region, the Bohai Rim, the Pearl River Delta and overseas regions were lower than average.

Breakdown of Corporate NPLs by Sectors

The Group

Unit: RMB million

Sector	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	5,421	36.84	1.41	4,272	38.96	1.20
Transportation, warehousing and postal service	130	0.88	0.09	207	1.89	0.15
Production and supply of power, gas and water	160	1.09	0.28	188	1.72	0.32
Wholesale and retail	7,895	53.66	2.87	4,765	43.46	2.05
Real estate development	115	0.78	0.09	353	3.22	0.26
Leasing and commercial services	230	1.56	0.39	270	2.46	0.50
Water conservancy, environment and public utilities management	75	0.51	0.11	85	0.78	0.13
Construction	202	1.37	0.28	241	2.20	0.38
Public and social organization	—	—	—	—	—	—
Others	487	3.31	0.32	582	5.31	0.43
Total	14,715	100.00	1.08	10,963	100.00	0.87

The Bank

Unit: RMB million

Sector	30 June 2013			31 December 2012		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	5,294	37.16	1.40	4,189	39.56	1.19
Transportation, warehousing and postal service	126	0.88	0.09	204	1.93	0.15
Production and supply of power, gas and water	160	1.12	0.29	188	1.78	0.32
Wholesale and retail	7,892	55.40	2.97	4,740	44.76	2.15
Real estate development	97	0.68	0.08	335	3.16	0.26
Leasing and commercial services	230	1.61	0.39	270	2.55	0.50
Water conservancy, environment and public utilities management	75	0.53	0.11	85	0.80	0.13
Construction	202	1.42	0.28	241	2.28	0.38
Public and social organization	—	—	—	—	—	—
Others	169	1.20	0.15	336	3.18	0.35
Total	14,245	100.00	1.11	10,588	100.00	0.89

As at the end of the reporting period, the Group's NPL balance of wholesale and retail and manufacturing sectors increased by RMB3.130 billion and RMB1.149 billion respectively over the end of the previous year, and the NPL ratios of the two sectors increased by 0.82 and 0.21 percentage point respectively over the end of the previous year. The major underlying reasons mainly included: (1) economic slowdown plus more vigorous macro readjustment policy in China including economic restructuring and industrial upgrading; (2) drastic shrinkage of domestic and overseas demands plus insufficient incremental demand, leading to higher inventory pressure; (3) rising cost of raw materials and labor; (4) price drop of commodities including steel and building materials plus lower liquidity and more fund occupation of businesses, which led to universal difficulties in industries including steel, steel trade, cotton and textile, ship building, PV, building materials and machinery. The situation also resulted in sales difficulties of wholesale and retail businesses dealing with the afore-mentioned products.

As at the end of the reporting period, the NPL balance of real estate development and transportation, warehousing and postal service decreased by RMB238 million and RMB77 million respectively over the end of the previous year, and their NPL ratios went down by 0.18 and 0.06 percentage point respectively. The balance of NPLs of other industries also slightly declined over the end of the previous year.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

The Group set aside adequate provisions for loan impairment in a timely manner according to the principle of prudence and truthfulness. Provisions for loan impairment consisted of two parts, namely, provisions based on evaluation of single items and provisions based on evaluation of portfolios.

The Group

Unit: RMB million

Item	As at 30 June 2013	As at 31 December 2012
Beginning balance	35,325	23,258
Accruals during the year ⁽¹⁾	4,719	12,804
Reversal of impairment allowances ⁽²⁾	(129)	(206)
Transfer out ⁽³⁾	(32)	(54)
Write-offs	(3,307)	(742)
Recoveries of loans and advances written off in previous years	<u>81</u>	<u>265</u>
Ending balance	<u>36,657</u>	<u>35,325</u>

Notes: (1) Equivalent to the net loan impairment recognized in the income statement of the Group.

(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including the provision for loan impairment released from loans converted to repossessed assets.

The Bank

Unit: RMB million

Item	As at 30 June 2013	As at 31 December 2012
Beginning balance	34,877	22,818
Accruals during the year ⁽¹⁾	4,695	12,733
Reversal of impairment allowances ⁽²⁾	(127)	(202)
Transfer out ⁽³⁾	(24)	(54)
Write-offs	(3,287)	(659)
Recoveries of loans and advances written off in previous years	<u>72</u>	<u>241</u>
Ending balance	<u>36,206</u>	<u>34,877</u>

- Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Group.
- (2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.
- (3) Including the provision for loan impairment released from loans converted to repossessed assets.

As at the end of the reporting period, the Group's balance of provision for loan impairment registered RMB36.657 billion, representing an increase of RMB1.332 billion over the end of the previous year. The Group's the ratio of balance of provision for loan impairment to NPL balance (i.e., provision coverage ratio) and the ratio of balance of provision for loan impairment to total loans (i.e., loan provision ratio) were 223.93% and 2.01% respectively, down by 64.32 percentage points and 0.11 percentage point respectively over the end of the previous year, mainly because the Group increased write-off during the first half of 2013, writing off RMB2.565 billion more than the end of the previous year.

Management of Market Risk

The main market risk the Bank confronts includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control, which manages market risk by means of product access approval and risk limit management, thereby keeping potential losses from market risk below the acceptable level and increasing risk-adjusted returns. During the reporting period, the Bank actively responded to the market fluctuations at home and abroad, formulated measures on annual market risk authorization and quota, effectively ensured healthy expansion of our business with risk under control through reasonable risk control and proactive market risk management.

Management of Interest Rate Risk

Interest rate risk refers to the risk of losses to overall earnings and economic value of bank accounts resulting from unfavorable changes in factors such as interest rate and maturity structure. The Bank's main sources of interest rate risk are benchmark risk and re-pricing risk.

The Bank monitors changes in macro economic situations and internal business structure on a regular basis, makes timely adjustments to its loan re-pricing lifecycle management policy, takes the initiative to manage sensitive gaps of interest rate, and prevents excessive concentration of interest rate risk. During the reporting period, the Bank optimized its deposit maturity structure and adjusted its loan re-pricing lifecycle with the use of active management means such as price adjustment, controlling interest rate risk of the whole Bank at a reasonable level.

The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	65,458	1,844,952	1,209,846	243,311	73,378
Total liabilities	75,863	2,243,977	627,728	229,468	43,932
Interest rate gap	(10,405)	(399,025)	582,118	13,843	29,446

The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	67,637	1,732,085	1,198,127	239,060	73,061
Total liabilities	65,825	2,171,791	598,669	223,615	40,615
Interest rate gap	1,812	(439,706)	599,458	15,445	32,446

Management of Exchange Rate Risk

The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposure that consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, while non-trading exposure mainly arises from foreign currency capital and foreign currency profit. The Bank manages exchange rate risk by conducting foreign exchange spot and forward trading and matching foreign currency denominated assets with corresponding foreign currency denominated liabilities. Meanwhile, the Bank makes appropriate use of derivatives, mainly foreign exchange swaps, to manage foreign currency assets and liabilities portfolios.

Analysis of Exchange Rate Risk

Exchange rate risk of the Bank is mainly impacted by the fluctuations of Renminbi exchange rate against the US dollar. During the reporting period, due to sustained inflows of short-term arbitrated funds amid domestic easing monetary policies in major economies, RMB exchange rate against USD kept appreciating in general. The Bank closely monitored markets fluctuations, enhanced management of FOREX positions, strictly controlled exchange risk exposure to FOREX trading, and maintained the overall exchange risk under control.

The Group

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	12,071	(14,162)	(22,544)	(24,635)
Net off-balance sheet position	(1,783)	26,750	22,325	47,292
Total	<u>10,288</u>	<u>12,588</u>	<u>(219)</u>	<u>22,657</u>

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	(7,357)	(8,303)	(13,325)	(28,985)
Net off-balance sheet position	<u>15,616</u>	<u>8,087</u>	<u>13,106</u>	<u>36,809</u>
Total	<u>8,259</u>	<u>(216)</u>	<u>(219)</u>	<u>7,824</u>

Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner or at reasonable costs to meet customer need for withdrawing matured liabilities and its own need for growing the asset business. Liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, pre-maturity or concentrated withdrawal of deposits by customers and markedly quicker growth of assets than that of liabilities.

Liquidity Risk Management

The objective of liquidity management of the Bank is to monitor, identify and measure liquidity risk, control liquidity risk within the tolerable limits, and thereby ensure normal and sound operation of all business lines through the establishment of an effective liquidity risk management mechanism based on the set assets-liabilities management targets and requirements of the liquidity risk management guidelines.

The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and legal entities of the Bank, and managing liquidity risk at the legal entity level in a centralized manner. Domestic branches of the Bank, in accordance with requirements of the Head Office, are responsible for fund management within their respective jurisdictions in accordance with their authorized mandates. All domestic and overseas affiliates of the Bank are responsible for developing their own strategies and procedures for liquidity risk management and implement such strategies and procedures in accordance with the requirements of regulatory authorities and within the Group's master policy framework of liquidity risk management.

Liquidity Risk Analysis

During the reporting period, the Bank continued to practice the three-tier liquidity reserve management system, enhanced forward-looking liquidity risk management with the use of scenario analysis and stress test, and ensured applicability of emergency response plans via more vigorous drillings and rehearsals. By keeping a close eye on changes in external policies and its own assets-liabilities structure, and the impacts of innovative products and new business areas on its liquidity profile, the Bank made dynamic adjustments to its liquidity management

strategy, continued with its diversified allocation of liquidity assets, maintained smooth financing channels including the money market and open market, and ensured diversified sources of liquid funds to support sound business operation of the entire bank with the use of money market tools such as inter-bank borrowings and bond repos.

Between January and May 2013, market liquidity was abundant in the overall sense but still suffered from periodical fluctuations due to seasonal factors, etc. In June 2013, overlapping impacts of multiple factors including payment of enterprise taxes, make-up payment of statutory deposit reserves and reduction of funds outstanding for foreign exchange, led to extraordinary tightness of market liquidity, drastic rise of short and medium-term interest rates on the money market and temporary structural imbalance of market fund supply and demand. In face with such abrupt market liquidity incidence, the Bank reacted promptly, with adoption of comprehensive measures in line with its set emergency response plans. First, the Bank reinforced organization support, launched liquidity risk emergency response team, and ensured full coordination among relevant departments in different business lines; second, the Bank strengthened asset-liabilities management and structure adjustment, maintained the steady growth of deposits to ensure balanced growth of assets and liabilities; third, the Bank reinforced efforts on liquidity risk stress test, executed test scheme, prepared contingency plan in accordance with simulative market condition where even higher pressure is presented compared with the current situation, so as to improve the risk-resistance capacity; fourth, the Bank strengthened estimation with regard to market trend, adjusted liquidity portfolio strategies dynamically and shortened the duration of liquidity assets, maintained reasonable structure and level of three-tier liquidity reserve. The relevant mechanisms and procedures of liquidity risk management of the Bank stood the test of the market systematic event, and the liquidity of the Bank remained relatively stable during the event. While ensuring normal operation of all business lines, the Bank provided surplus funds to the market, playing the active role of a market stabilizer to some extent.

The Group

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>(1,183,218)</u>	<u>(37,978)</u>	<u>291,453</u>	<u>352,148</u>	<u>338,599</u>	<u>454,973</u>	<u>215,977</u>

The Bank

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>(1,155,357)</u>	<u>(25,854)</u>	<u>273,898</u>	<u>332,390</u>	<u>324,292</u>	<u>460,086</u>	<u>209,455</u>

Internal Control and Operational risk Management

Internal Control

During the reporting period, the Bank formulated the CITIC Bank Program for Implementation of the Measures to Improve Internal Control System and Internal Control Assessment in accordance with the regulatory requirement of “emphasizing development of internal control and continuously improving internal control level”. Based on the five key elements of internal control, the Bank deepened internal control measures and promoted development of internal control management platforms system throughout the bank and in all domestic and overseas consolidated subsidiaries.

Optimization of the internal control environment via structural adjustment. The Bank initiated efforts to integrate and optimize front, middle and back offices and sort out functions of these offices, the Head Office, the branches, the sub-branches and the affiliates, thereby forming a flat-matrix structure featuring integration of departments and regions at different levels. In line with its strategic adjustment, the Bank streamlined the committees under the senior management and set up six committees that work with authorization from and report to the Senior Management Working Meeting, namely, Risk and Internal Control Committee, Information Technology Committee, Assets and Liabilities Management Committee, Wholesale Business Committee, Retail Business Committee and Support Committee.

Reinforcement in risk identification and assessment. In combination with the strategic requirements for risk management, the Bank developed a full risk management policy to improve its methods and tools of risk identification, assessment and management as well as its risk monitoring capacity. Covering all tools that measure the three major dimensions of risk, profit and interest generation, the Bank reinforced application of internal and external scorings portfolio to deepen application of the measurement tools at key business stages before, during and after lending.

Improvement in internal controls measures. With respect to credit risk management, the Bank reinforced quality management of credit assets, promoted risk early warning and proactive exit from risky areas, and strengthened LGFV loan management to ensure quality stability of credit assets bank-wide. With respect to liquidity risk management, the Bank exerted vigorous efforts to measure and monitor cash flows, and adopted pertinent measures to dissolve market impacts on asset portfolio liquidity and thereby ensure liquidity safety. With respect to market risk management, the Bank continued to intensify market risk limit management with market risk management departments and business departments jointly taking charge of the monitoring, reporting and handling of the execution of risk limit indicators. With respect to compliance risk management, the Bank reinforced tier-one legal person management and established an authorization-based management matrix on the principle of “unified management and stratified hierarchical responsibility” to regulate the authorizing bodies/persons and authorization procedures and define particulars of authorization such as business items and amounts authorized. With respect to operational risk management, the Bank searched for business areas prone to operational risk through analysis of historical data, reinforced process management of seals and licenses, continuously promoted job rotation and mandatory leave-taking mechanisms for employees

working at critical posts at all levels throughout the bank, enhanced employee awareness and capability in preventing illegal financing and combating irregularities and crimes, and required signing of letters of responsibility for crime prevention and control at all levels.

Boosting information exchange and communication. The Bank reinforced its management of the reporting of significant risk incidents, built up its capacity of responding to significant risk incidents, effectively prevented and dissolved risks and held accountable those responsible for losing the best risk disposal opportunity or causing material losses due to untimely risk reporting with a tough hand. With the use of internal platforms, the Bank shared experiences and released risk reminders. Efforts were also made to improve information disclosure and management of investor relations, such as communication with domestic and overseas investors regarding future competitiveness and development strategy of the Bank. Reports to the concerned regulators were delivered in a timely manner, including quarterly/yearly submission of the Report on Important Internal Control Items.

More intensive internal supervision, assessment and correction. The Bank implemented more vigorous supervision and inspection on risk prevention and control in key areas. Special financial inspections were carried out to improve financial management; on-site inspections of loan quality were conducted to enhance management of credit quality and ensure truthful and accurate reflection of asset quality and early dissolution of credit risk; off-balance sheet corporate credit business and supply chain finance business were audited on-site to upgrade business management; and attention was paid to truthfulness of credit asset risk classification, basic credit management and other relevant areas. For problems discovered thereby, the Bank made active efforts to rectify and correct and hold the responsible persons accountable, so as to keep improving its management quality/capacity and reinforcing risk control.

Internal Audit

Under the goal of “enforcement of strict audit with a tougher hand” and “disclosure of material irregularities and systemic, trendy and suggestive problems”, the Bank continued to refine its internal audit system, enhance professional skills, improve quality control and realize the role of audit as an independent force of supervision.

During the reporting period, the Bank reinforced audit of business areas prone to irregularities and high risk exposures, organized special audit of areas including data accuracy, off-balance sheet business, supply chain finance and credit asset quality, and conducted full audit of some branches. Efforts were made to further refine its independent professional internal audit system. Two regional audit centers, located in Chengdu and Shenzhen respectively, were set up to strengthen institutional development and enhance audit independence. Off-site audit approaches were made full use of to screen employee behavior. Audit operation models were optimized with early in-depth analysis of doubtful data to upgrade audit efficiency and effectiveness.

Operational risk Management

The Bank continued to construct a professional, standard, and computerized operational risk management system. The formulation of the CITIC Bank Measures for Management of Key Risk Indicators of Operational risk (Interim) and the drafting of the CITIC Bank Measures for Management of Operational risk and Control Self Assessment provide institutional guarantee to reinforce management of key risk indicators and standardize assessment criteria and process of operational risk. The Bank's operational risk management system started operation and was spread in batches, covering application functions for operational risk control such as risk and control self assessment (RCSA), key risk indicators (KRIs), loss data collection (LDC) and integral management of employee violation of control measures. The Bank also implemented management of reports from its branches and sub-branches and subsidiaries whose financial statements are consolidated by the Bank and completed submission of its annual report on operational risk to the regulator.

During the reporting period, the Bank was free of material loss incidents resulting from operational risk, with its overall risk profile assessed at medium to low level.

Anti-Money Laundering

In line with the Anti-Money Laundering Law of the People's Republic of China and relevant rules and regulations on anti-money laundering, the Bank diligently fulfilled its anti-money laundering obligations through management efforts against money laundering on all fronts. During the reporting period, the Bank further improved its internal controls for anti-money laundering purpose and the work mechanism that clarified division of duty between the Head Office, the branches and the sub-branches. Following the PBC philosophy of "risk-oriented" anti-money laundering risk management, the Bank shifted its anti-money laundering duties from the Accounting Department to the Compliance Department at the Head Office.

In its efforts to reinforce institutional development for anti-money laundering management, the Bank started to amend its basic regulations on anti-money laundering management, defined the route of reporting anti-money laundering risk information to the Board of Directors and the senior management, set anti-money control targets, and put forward requirements for risk monitoring mechanisms and risk management performance evaluation. The Bank strictly executed daily monitoring of anti-money laundering risks such as more stringent customer ID identification, classified management of customer risk levels, and close attention paid to the money flow and usage of suspicious transaction funds from money laundry and terrorist financing. To optimize functions of its anti-money laundering system, the Bank incorporated such system construction into its three-year technology development plan, while earnestly improving, optimizing and upgrading functions such as autonomous monitoring of suspicious transactions, identification, investigation and analysis of customers, customer name list management and follow-up monitoring and assessment of customer money laundry risk.

Capital Management

The Bank practices total capital management covering management of regulatory capital, economic capital and book capital in general and capital adequacy ratio management, capital planning and financing management and economic capital management, etc. in particular.

Capital adequacy ratio is one of the core areas for the Bank's capital management, reflecting the capacity of the Bank in prudent operation and risk prevention. From 2013 onward, the Bank calculates, manages and discloses its capital adequacy ratio according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. Regulatory requirements as per capital adequacy ratio of commercial banks include: minimum capital requirements, reserve capital requirements and counter-cyclical capital requirements, plus additional capital requirements for systematically important banks. As of 1 January 2013, capital adequacy ratios of commercial banks in China should meet minimum capital requirements (core tier-one capital adequacy ratio no lower than 5%; tier-one capital adequacy ratio no lower than 6%; and capital adequacy ratio no lower than 8%;) with additional capital requirements to be met on the part of systematically important domestic banks. During the transition period (2013-18), reserve capital requirement (2.5%) will be gradually introduced. As at the end of the reporting period, the Bank's capital adequacy ratio complied with all statutory regulatory requirements, ahead of the required deadline.

Based on the new regulatory requirements and with comprehensive consideration of business development, market positioning and risk bearing, the Bank set its yearly targets for internal management of capital adequacy ratios. Meanwhile, via timely monitoring, analysis and reporting, the Bank ensured that its target of capital adequacy ratio met the requirements of external regulation and internal management. In its capital planning and management, the Bank adopted scenario simulation and stress testing to predict future capital supply and demand in a forward-looking manner in comparison with its targets of capital adequacy ratio and according to external regulatory provisions and its own strategic plans and risk preferences, which helped the Bank to project potential capital gap of the Group in the future. Based on regular capital planning, the Bank developed and implemented programs for internal and external capital financing, made reasonable use of various capital tools and kept optimizing its capital structure while ensuring continuous compliance of its capital adequacy ratio with regulatory requirements. The Bank practiced the economic capital management system with "economic profit" and "return on risk capital" as the core to realize optimal allocation of economic resources in various institutions, products and sectors and enhance capital use efficiency via the construction of an internal economic capital transmission system.

Securities Investment

Shareholdings in Other Listed Companies and Financial Enterprises

As at the end of the reporting period, the Group's holding of shares and securities in other listed companies are as follows:

Unit: RMB

No.	Stock code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's equity during the reporting Period	Accounting item	Source of investment
1	00762	China Unicom (HK)	7,020,000.00	—	3,281,797.10	—	4,125,467.49	(843,670.39)	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	57,350,734.69	78,761.41	47,957,141.51	9,393,593.18	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	2,690,755.03	4,822.13	2,340,846.04	349,908.99	Available-for-sale financial assets	Bonus share
Total			<u>14,731,235.08</u>		<u>63,323,286.82</u>	<u>83,583.54</u>	<u>54,423,455.04</u>	<u>8,899,831.78</u>		

As at the end of the reporting period, the Group's shareholdings in non-listed financial enterprises are as follows:

Unit: RMB

Name of Company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the Reporting Period	Changes in shareholder's equity during the reporting Period	Accounting item	Source of investment
China Union Pay Co. Ltd.	113,750,000.00	87,500,000	2.99%	113,750,000.00	—	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	477,931.62	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,103,042.97	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	12,904,153.77	—	—	Available-for-sale financial assets	Bonus share
Total	132,710,234.79			131,235,128.36	—	—		

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with net value of RMB309 million as at the end of the reporting period.

Investment of Funds Raised

The Bank made its initial public offering on 27 April 2007, issuing 2.302 billion A shares and 5.618 billion H shares and raising approximately RMB44.836 billion thereby (after deducting listing fees) in total.

The Bank successfully completed its A + H shares rights issue on 7 July 2011 and 3 August 2011 respectively, raising RMB25.786 billion which was used to further replenish its capital.

As at the end of the reporting period, the Bank had used all the proceeds raised from initial public offering and the two rights issues to replenish its capital, upgrade its capital adequacy ratio and improve its risk resistance in accordance with replies from both the CBRC and the CSRC. No material investment was made with non-raised funds.

Formulation of Cash Dividend Distribution Policy and Its Implementation

As approved by the 2012 Shareholders' Annual General Meeting, the Bank paid the 2012 final dividends in cash to its A-share shareholders on the register as at 17 July 2013 and H-share shareholders on the register as at 10 June 2013 at RMB0.15 (pre-tax) per share, with total payments amounting to approximately RMB7.018 billion. The details of out profit distribution plan were disclosed in the 2012 Annual Report of the Bank. Except for the above-mentioned profit distribution, the Bank made no other declaration or payment of dividends, or conversion of capital reserve into share capital or scheme for new share issue.

Outlook

As at the end of the reporting period, the Bank effectively implemented its business plan in general, net profit enjoying steady increase, NPL ratio controlled within the planned target despite its slight rise and business structure exhibiting continuous optimization.

For the second half of 2013, the overall world economy as a whole will present gradual and weak recovery. The US economy will enjoy relative clear signs of recovery. The Euro zone will remain weak in employment and consumption. Benefiting from its quantitative easing monetary policy, the Japanese economy will turn for the better in the short run. The emerging markets and developing economies, however, will witness changes in economic growth patterns. In general, the foundations of global economic recovery remain weak; the main economies are unbalanced in their processes of recovery; and major uncertainties still prevail on the international financial market. Under policy guidance of the new administration, the Chinese economy will pace up its transformation and restructuring process, with the driving forces of economic growth gradually shifting from investment and export to consumption. With the PBC announcing full deregulation over loan interest rates of financial institutions in July 2013, interest rate liberalization will accelerate markedly, bringing along severe challenges to the business model of domestic banks which is heavily dependent on deposit-loan spread.

In face with such complicated externalities, the Bank will persevere with its new strategic development concept and gradually return to the traditional, standard and prudent business operation pattern according to the principles of "safety, liquidity and profitability". Efforts will be made to: (1) arrange business in a counter-cyclic manner to proactively maintain the distance between input of resources/credit and the economic cycle and thereby avoid drastic fluctuations resulting from the economic cycle; (2) build up a capital-efficient structure so that development priorities will be shifted to low capital consumption business areas and capital will be allocated to business areas featuring limited occupation of economic capital and small risk exposures; and (3) control business scale with low credit leverage so as to maintain reasonable leverage ratio and loan-to-deposit ratio, and to avoid excessive risk bearing due to excessive expansion of asset leverage in pursuit of business scale.

III. SIGNIFICANT EVENTS

Purchase, Sales or Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

Material Acquisitions, Disposals or Restructurings of Assets

During the reporting period, the Bank did not engage itself in any material acquisitions, disposals or restructurings of assets.

Material Contracts and their Performance

During the reporting period, the Bank did not custody, contract or lease any material assets of other companies, nor did other companies custody, contract or lease any material assets of the Bank.

The guarantee business is one of the Bank's regular off-balance sheet business. During the reporting period, the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services that are within the approved business scope of the Bank.

The Bank did not entrust others to handle cash management matters.

Appropriation of Funds by the Controlling Shareholder

There was no appropriation of the Bank's funds by the controlling shareholder during the reporting period.

Material Related Party Transactions

When entering into related party transactions with the related parties during its ordinary and usual course of business, the Bank stuck to general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to independent third parties for similar transactions. Please refer to note 46 to the Financial Statements herein for details.

Related Party Transactions Involving Disposal and Acquisition of Assets

During the reporting period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets.

Credit Extension Related Party Transactions

The Bank attaches great importance to the daily monitoring and management of credit-extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and post-lending management. As at the end of the reporting period, the credit balance extended to related parties totalled RMB7.685 billion, of which the credit balance to CITIC Group and its subsidiaries totalled RMB6.981 billion and that to BBVA and its subsidiaries totalled RMB704 million. The above-mentioned credit granted to related party shareholders were all normal bank loans with proper credit risk exposures based on their sound underlying quality and therefore would not have material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

When extending credit to related parties, the Bank only entered into such transactions on normal commercial terms with prices available to related parties being no more favorable than those available to independent third parties of similar transactions. Meanwhile, the Bank followed the requirements for approval and disclosure by the SSE and the CBRC. As at the end of the reporting period, there was no funds exchange or occupation in violation of the provisions of the Notice of CSRC on Issues Concerning the Standardization of Funds Exchange between Listed Companies and Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No. 56) and the Notice of CSRC on Standardization of the External Guarantee Activities of Listed Companies (Zheng Jian Fa [2005] No. 120). The related party loans granted by the Bank to its *de facto* controller CITIC Group and its controlled companies had no adverse impact on the operating results and financial position of the Bank.

Non-Credit Extension Continuing connected Transactions

According to the framework agreements on continuing connected transactions, the Bank conducted transactions with CITIC Group and its associates, BBVA and its associates, and CIFH and its subsidiaries within the corresponding annual caps of the year. According to the applicable provisions of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 10 of Rules of the Shanghai Stock Exchange for the Listing of Stocks, we hereby provide details on the above-mentioned continuing connected transactions as follows:

Non-credit Extension Continuing Connected Transactions with CITIC Group and its Associates:

Third-Party Escrow Services

According to the Third-Party Escrow Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2013, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB600 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Investment Product Agency Sales Services

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the agency sales services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2013, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB2.0036 billion. As at the end of the reporting period, the actual amount incurred did not exceed the cap of the year.

Asset Custody Services

According to the Asset Custody Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the asset custody services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In October 2011, the Bank adjusted the annual cap for the transactions under the Asset Custody Service Framework Agreement. The new cap for 2013 was RMB400 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in December 2012, the financial consulting and asset management services provided by the Bank to CITIC Group and its associates have no fixed prices or rates. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties and on terms no more favorable than those available to independent third parties and be based on the market prices and rates applicable to independent counterparties for similar transactions. In 2013, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB190 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Call Center Outsourcing Services

According to the Framework Agreement on Call Center Outsourcing services entered into between the Bank and CITIC Group in October 2011, CITIC Group and its associates shall provide call center outsourcing services to the Bank, including staff, premises, equipment and system, or more specifically, customer calling, telephone banking, telephone marketing, payment collection, verification via telephone, operation consulting, training, data and information service, marketing consulting, interactive marketing, etc. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties and be based on the market prices and rates applicable to independent counterparties for similar transactions. In 2013, the annual cap for transactions under the Framework Agreement on Call Center Outsourcing services was RMB630 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Treasury Market Transactions

According to the Treasury Market Transactions Framework Agreement entered into between the Bank and CITIC Group in December 2012, the Bank, CITIC Group and its associates shall conduct treasury market transactions in their daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions.

The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for similar transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as applicable) of the transactions under the Treasury Market Transactions Framework Agreement was RMB1.31 billion each and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.21 billion each. As at the end of the reporting period, the actual amount incurred did not exceed the caps of the year.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group in August 2010 and approved by the third extraordinary general meeting in 2010, the loan asset transfer transactions conducted between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the loan assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB53.00 billion while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Wealth Management Services

According to the Wealth Management Service Framework Agreement entered into between the Bank and CITIC Group in December 2012, CITIC Group and its associates shall provide the Bank with back-end services (such as trust services) of wealth management, while the Bank shall provide CITIC Group and its associates with investment wealth management services including principal-guaranteed and non-principal-guaranteed wealth management, according to applicable general market practices and on normal commercial terms in their ordinary course of business. In 2013, the annual cap for period-end balance of principals of principal-guaranteed wealth management services under the Wealth Management Services Framework Agreement was RMB6.70 billion, the annual cap for proceeds generated therefrom was RMB150 million, and that of front-end and back-end service fees for wealth management services was RMB120 million. As at the end of the reporting period the actual amounts incurred did not exceed the caps of the year.

Property Lease

According to the Property Lease Framework Agreement entered into between the Bank and CITIC Group in December 2012, the Bank, CITIC Group and its associates shall conduct property leasing transactions in their daily business according to applicable general market practices and on normal commercial terms with the rentals thereof to be determined upon arm's length negotiations between the parties and with reference to market prices of similar property lease

transactions. In 2013, the annual cap for the transactions under the Property Leasing Framework Agreement was RMB80 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in December 2012, CITIC Group and its associates shall provide the Bank with comprehensive services including technological service, supplementary medical insurance, enterprise annuity, conference service, outsourcing service, advertising service and commodity purchase. The Bank, CITIC Group and its associates shall conduct transactions of comprehensive services in their daily business according to applicable general market practices and on normal commercial terms, with service fees to be determined upon arm's length negotiations between the parties and with reference to market prices of similar transactions. In 2013, the annual cap for the transactions under the Comprehensive Services Framework Agreement was RMB110 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Non-Credit Extension Continuing Connected Transactions with BBVA and its Associates

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA in October 2011, the loan asset transfer transactions conducted between the Bank and BBVA and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD200 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Treasury Market Transactions

According to the Inter-bank Transactions Master Agreement entered into between the Bank and BBVA in December 2012, the Bank, BBVA and its associates shall conduct treasury market transactions in daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for similar transactions. In 2013, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as applicable) of the transactions under the Inter-bank Transactions Master Agreement was RMB650 million each, that for the fair value of derivative financial instruments recorded as assets was RMB1.3 billion, and that for the fair value of derivative financial instruments recorded as liabilities was RMB1.2 billion. As at the end of the reporting period, the actual amount incurred did not exceed the cap of the year.

Non-Credit Extension Continuing Connected Transactions with CIFI and its Subsidiaries

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFI in October 2011, the transactions conducted between the Bank and CIFI and its subsidiaries shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discount to reflect the appropriate risks of the loan assets. In 2013, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD500 million while the actual amount incurred as at the end of the reporting period did not exceed the cap of the year.

Treasury Market Transactions

According to the Treasury Market Transactions Framework Agreement entered into between the Bank and CIFI in December 2012, the Bank, CIFI and its subsidiaries shall conduct capital market transactions in their daily business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for these transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the similar transactions. In 2013, the annual cap under the framework agreement for realized gains, realized losses, unrealized gains and unrealized losses (if applicable) of the transactions under the Treasury Market Transactions Framework Agreement was RMB1.0 billion each and that for the fair value of the derivative financial instruments (whether recorded as assets or liabilities) was RMB3.50 billion each. As at the end of the reporting period the actual amount incurred did not exceed the caps of the year.

Material Litigations and Arbitrations

The Group was involved in several litigation and arbitration cases during its daily operation, most of which were initiated by the Group to enforce loan recovery, plus litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, the Group was involved in 144 litigation and arbitration cases each exceeding RMB30 million in disputed amount (either as plaintiff/claimant or defendant/respondent) with an aggregate disputed amount of RMB9.586 billion. The Group was involved in 52 outstanding cases (regardless of the disputed amounts) where the Group acted as defendant/respondent with an aggregate dispute amount of RMB230 million.

The management of the Bank is of the view that these legal actions will not have any material impact on either operating results or financial position of the Bank.

During the reporting period, the Bank was not aware of any events that were widely questioned by public media. As to the news report by some media with regard to the decline in private banking customers as disclosed in the 2012 annual report, the Bank made a clarification through an announcement. The decline in private banking customers disclosed in the 2012 annual report was due to the adjustment of calculation standard, and the actual amount of private banking customers grew steadily. For more detailed information, please refer to the voluntary announcement dated 17 April 2013 published on the HKExnews website (www.hkexnews.hk) and the website of the

Bank (bank.ecitic.com). Save as disclosed above, there were no other significant issues of the Bank that were questioned by public media and needed to be clarified by announcement during the reporting period.

Investigation and Punishment against the Company, its Board of Directors, its Directors, its Senior Management, its Shareholders and its De Facto Controller and the Company's Rectification thereof

During the reporting period, none of the Bank, or its Board of Directors, or its directors, or its senior management members, or its shareholders holding 5% or more shares in the Bank or its *de facto* controller was subject to investigation by competent authorities, coercive measures by judicial and disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, or investigation, administrative penalty, ban of entry into securities markets, criticism by notice circulation by the CSRC, identification as inappropriate candidates, material punishments by other administrative authorities and public reprimands from any stock exchanges, or any penalties by other regulatory authorities that would exert material impact on the Bank's operation.

Undertakings by the Company or its Shareholders Holding 5% or More Shares in the Bank

No new undertakings were made by the shareholders holding 5% or more shares in the Bank during the reporting period. The number of ongoing undertakings remains the same as those disclosed in the 2012 annual report. The Bank is not aware of any violation of the original undertakings on the part of shareholders that hold 5% or more shares in the Bank.

Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Bank Held by Directors, Supervisors and Senior Management

As at the end of the reporting period, the interests and short positions in the shares, underlying shares and debentures of the Bank and its associated corporations (save as the "associated corporations" defined in Part XV of the Hong Kong Securities and Futures Ordinance) as recorded in the register and required to be kept pursuant to section 352 of the Hong Kong Securities and Futures Ordinance or otherwise notified to the Bank and the SEHK pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the *Listing Rules* of SEHK, which were held by the directors, supervisors and senior management, are as follows:

Name of Directors	Name of associated corporation	Nature of interests	Class/number of share interests held	Percentage in the issued share capital	Execution period
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 shares ^(L) options	0.28%	2011.09.09– 2014.09.08
			1,250,000 shares ^(L) options	0.28%	2014.04.15– 2016.04.14

L) — Long position

Save as disclosed above, no other directors, supervisors or senior management of the Bank hold any interests or short positions in the shares, underlying shares and debentures of the Bank or of any of its associated corporations during the reporting period.

Compliance with the Corporate Governance Code of the Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the *Corporate Governance Code* (“Code”) set out in Appendix 14 to the *Listing Rules* throughout the six months ended 30 June 2013, except for the following:

According to Code A.1.3, the meeting notice shall be given at least 14 days before each regular Board meeting, while a 10-day prior written notice to directors and supervisors shall be given for regular Board meetings according to Article 167 of the Articles of Association. We adopted the 10-day prior notice for regular Board meetings in the Articles of Association because a 10-day prior notice is deemed as sufficient according to PRC law.

Given the changes in the external operational environment, regulatory requirements, and the business scope and scale of the Bank, there is no limit to the efforts for improvement of the Bank’s internal control. As such, the Bank will follow the requirements of external regulators, the requirements for listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the *Listing Rules* of SEHK to regulate the securities transactions conducted by directors, supervisors and senior management.

The Bank has made special inquiries with all directors, supervisors and senior management in this regard, while all directors, supervisors and senior management have confirmed that they have strictly complied with the Model Code provisions regarding securities transactions conducted by directors, supervisors and senior management throughout the first half of 2013.

Notes on Amendments to Business Plan

Save as disclosed herein, the Bank did not modify its business plan during the reporting period.

Warnings on the Forecast of Possible Losses or Substantial Year-on-Year Changes to Be Recorded in Cumulative Net Profit from Beginning of the Year to the End of the Next Reporting Period and the Underlying Reasons

The Bank is not aware of any situation that would lead to the forecast of possible losses or substantial year-on-year changes to be recorded in cumulative net profit from the beginning of the year to the end of the next reporting period.

Review of Interim Results

The Audit and Related Party Transactions Control Committee and the senior management of the Bank have jointly reviewed the accounting policies and practices adopted by the Bank, discussed matters related to internal control and financial reporting, and reviewed the Bank’s interim report, and were of the opinion that, save as disclosed herein, the preparation basis of this interim report were consistent with the accounting policies adopted for the preparation of the financial report of the Group for the year 2012.

IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

Changes in share capital

Table on Changes of Shareholdings

Unit: share

	Before the change		New issue	Bonus issue	Changes (+,-)			After the change	
	Number of shares held	Percentage (%)			Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	2,138,179,203	4.57			-2,138,179,203		-2,138,179,203	0	0
1. Shares held by the state	0	0						0	0
2. Shares held by state-owned legal persons	213,835,341	0.46			-213,835,341		-213,835,341	0	0
3. Other shares held by domestic investors	0	0						0	0
Including: Shares held by domestic non-state-owned legal persons	0	0						0	0
Shares held by domestic natural persons	0	0						0	0
4. Foreign-held shares	1,924,343,862	4.11			-1,924,343,862		-1,924,343,862	0	0
Including: Shares held by overseas legal persons	1,924,343,862	4.11			-1,924,343,862		-1,924,343,862	0	0
Shares held by overseas natural persons	0	0						0	0
Shares not subject to restrictions on sale:	44,649,147,831	95.43			2,138,179,203		2,138,179,203	46,787,327,034	100.00
1. Renminbi denominated ordinary shares	31,691,328,716	67.73			213,835,341		213,835,341	31,905,164,057	68.19
2. Domestically-listed foreign shares	0	0						0	0
3. Overseas-listed foreign shares	12,957,819,115	27.70			1,924,343,862		1,924,343,862	14,882,162,977	31.81
4. Others	0	0						0	0
Total shares	46,787,327,034	100.00			0		0	46,787,327,034	100.00

Information on Shareholders

Number of Shareholders

Total Number of Shareholders (as at the end of the reporting period): 384,206 accounts, including 344,210 A-share accounts and 39,996 H-share accounts

Shareholdings of the Top 10 Shareholders

Unit: Share

No.	Name of Shareholder	Nature of Shareholder	Class of Shares	Total number of Shares Held	Shareholding Percentage (%)	Balance of shares subject to restrictions on sale	Increase or Decrease of Shareholding during the Reporting Period	Shares Pledged or Frozen
1	CITIC Limited	State-owned	A -Share	28,938,928,294	61.85	0	0	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H -Share	7,371,638,772	15.76	0	3,996,700	Unknown
3	BBVA	Foreign	H -Share	7,018,099,055	15.00	0	0	0
4	NSSF	State-owned	A -Share, H -Share ⁽²⁾	338,513,209	0.72	0	0	Unknown
5	China Construction Bank	State-owned	H- Share	168,599,268	0.36	0	0	Unknown
6	Mizuho Corporate Bank	Foreign	H- Share	81,910,800	0.18	0	0	Unknown
7	New China Life Insurance Co., Ltd. -Traditional-Ordinary Insurance Products-018L-CT001Y, Shanghai	Other	A -Share	76,000,000	0.16	0	76,000,000	Unknown
8	Shanghai Pudong Development Bank-Changxinjinli Equity Fund	Other	A -Share	59,959,305	0.13	0	-869,016	Unknown
9	Agricultural Bank of China-China Post Core Growth Equity Fund	Other	A -Share	58,825,881	0.13	0	58,825,881	Unknown
10	Csop Asset Management Co., Ltd. -A50ETF	Other	A -Share	36,936,013	0.08	0	5,238,185	Unknown

Note: (1) The shareholdings of H-share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.

(2) The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 213,835,341 A shares transferred from CITIC Group in 2009, 68,259,000 H shares held in the capacity of H-share cornerstone investor at the time of the Bank's initial public offering, and 42,767,068 A shares and 13,651,800 H shares purchased during the A + H rights issue of the Bank in 2011.

(3) Note on connected relations or concerted actions of the above shareholders. As at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: Share

No.	Name of Shareholder	Shares held not subject to restrictions on sale	Class of Shares
1	CITIC Limited	28,938,928,294	A-Share
2	Hong Kong Securities Clearing Company Nominee Limited	7,371,638,772	H-Share
3	BBVA	7,018,099,055	H-Share
4	NSSF	338,513,209	A -Share, H-Share
5	China Construction Bank	168,599,268	H-Share
6	Mizuho Corporate Bank	81,910,800	H-Share
7	New China Life Insurance Co., Ltd. – Traditional – Ordinary Insurance Products -018L-CT001, Shanghai	76,000,000	A-Share
8	Shanghai Pudong Development Bank – Changxinjinli Equity Fund	59,959,305	A-Share
9	Agricultural Bank of China – China Post Core Growth Equity Fund	58,825,881	A-Share
10	Csop Asset Management Co., Ltd. – A50ETF	36,936,013	A-Share

Note: (1) The shareholdings of H-share holders is calculated based on the Bank's share register maintained with the H-share registrar of the Bank.

(2) Note on connected relations or concerted actions of the above shareholders: As at the end of the reporting period, the Bank was not aware of any connected relations or concerted actions between the above-mentioned shareholders.

Changes in Shares Subject to Restrictions on Sale

Unit: Shares

Name of Shareholder	Balance of shares subject to restrictions on sale at the Beginning of the Reporting Period	Number of restricted shares relieved during the Reporting Period	Increase of Shares subject to restrictions on sale	Balance of shares subject to restrictions on sale at the End of the Reporting Period	Reasons of Restrictions	Date of relief
BBVA	1,924,343,862	1,924,343,862	—	0	Note (1)	2013.04.02
NSSF	213,835,341	213,835,341	—	0	Note (2)	2013.04.28
Total	2,138,179,203	2,138,179,203	—	0	—	—

Note: (1) According to the Share and Option Purchase Agreement (as amended) entered into between BBVA and CITIC Group on 22 November 2006, BBVA can exercise all the share option in one go under this agreement. The lock-up period of the shares acquired from exercising of share option will be three years following the completion date. BBVA exercised the share option to buy 1,924,343,862 shares of the Bank's H shares from CITIC Group on 3 December 2009 and the transfer was completed on 1 April 2010. Therefore, the lock-up period for those shares acquired is from 1 April 2010 to 1 April 2013. As at the end of the reporting period, the lock-up period for the afore-mentioned shares had expired.

(2) According to the Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Council for Social Security Fund (Cai Qi [2009] No.94) jointly issued by MOF, SASAC, CSRC and NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to the NSSF, accounting for 0.55% of the share capital of the Bank. This share transfer was completed in December 2009. According to the above measures, the lock-up period for those transferred shares shall be extended for another three years in addition to the original mandatory lock-up period applicable to the former state-owned shareholders. As such, the lock-up period for the above mentioned shares shall expire on 28 April 2013. As at the end of the reporting period, sales restrictions of the afore-mentioned were already lifted.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at 30 June 2013, interests and short positions in the shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank has maintained pursuant to Section 336 of the *Securities and Futures Ordinance* are as follows:

Name	Number of Shares Held	Shareholding Percentage of the Issued Share Capital of the Same Class (%)	Class of Shares
BBVA	10,942,096,691 ^(L) 3,809,655, 853 ^(S)	73.52 ^(L) 25.60 ^(S)	H-shares
BBVA	24,329,608,919 ^(L)	76.26 ^(L)	A-Share
CITIC Group	7,032,455,195 ^(L) 28,938,928,294 ^(L)	47.25 ^(L) 90.70 ^(L)	H-share A-Share
CITIC Limited	28,938,928,294 ^(L)	90.70 ^(L)	A-Share
Lehman Brothers Asia Holdings Ltd	732,821,000 ^(L) 732,821,000 ^(S)	4.92 ^{(L)(1)} 4.92 ^(S)	H-shares
Lehman Brothers Asia Ltd	732,821,000 ^(L) 732,821,000 ^(S)	4.92 ^{(L)(1)} 4.92 ^(S)	H-shares
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000 ^(L) 732,821,000 ^(S)	4.92 ^{(L)(1)} 4.92 ^(S)	H-shares

Note: (L) — long position, (S) — short position, (P) — lending pool

- (1) The proportion here represent the actual shareholding percentage of the issued share capital of the same class of each Lehman Brothers Company as at the end of 30 June, 2013.

Save as disclosed above, as at 30 June 2013, there were no other interests or short positions of any other person or company in the shares or underlying shares of the Bank recorded in the register that the Bank had maintained pursuant to Section 336 of the *Securities and Futures Ordinance* requiring disclosure in accordance with Sections II and III in Part XV of the *Securities and Futures Ordinance*.

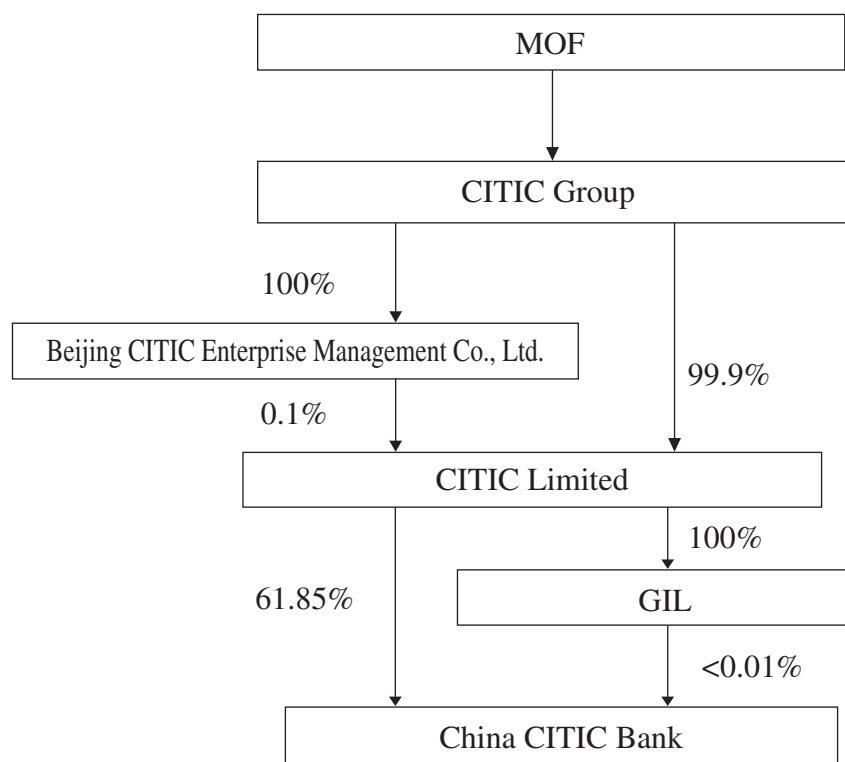
Controlling Shareholder and De Facto Controller of the Bank

As at the disclosure date of this announcement, CITIC Limited is the controlling shareholder of the Bank, and CITIC Group is the *de facto* controller of the Bank. CITIC Limited directly owns 28,938,928,294 A-shares of the Bank, accounting for 61.85% of the total issued share capital of the Bank, as well as 710 H-shares of the Bank through its wholly owned subsidiary GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Limited holds 61.85% of the Bank's total issued and outstanding shares.

CITIC Group is China's leading state-owned multinational conglomerate, focusing its investment in financial services, information technology, energy and heavy industries, with business operations in Hong Kong SAR, US, Canada and Australia. Initiated by Mr. Deng Xiaoping, the Chief Architect of China's reform and opening-up, and approved by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, the former Vice President of China, as the first window corporation in China for reform and opening up. Its registered address and place of business are both in Beijing.

On 27 December 2011, as part of its restructuring, CITIC Group contributed, together with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., the majority of its existing operating net assets to establish CITIC Limited, with CITIC Group and Beijing CITIC Enterprise Management Co., Ltd. holding 99.9% and 0.1% respectively of CITIC Limited's equity interest. CITIC Group was restructured into a wholly state-owned company as a whole and renamed as CITIC Group Corporation, which inherited all business lines and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transferred all the shares it held in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited directly and indirectly holds 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank's total shares. On 25 February 2013, the relevant transfer formalities for the above-mentioned share transfer were officially completed with the approval from the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Please refer to the announcements dated 16 January 2012, 12 July 2012, 21 September and 26 February 2013 published by the Bank on the official website of the Bank and the HKExnews website for more information with regard to the change of controlling shareholder of the Bank.

As at the end of the reporting period, the ownership structure and controlling relationship between the Bank and its *de facto* controller is as follows:



V. PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (bank.ecitic.com) and HKExnews website (www.hkexnews.hk). The 2013 interim report of the Bank containing all the information required by the Listing Rules will be published on the websites of the Bank (bank.ecitic.com) and HKExnews website (www.hkexnews.hk) in due course. In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail. The Bank also prepared the 2013 interim report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (bank.ecitic.com) and SSE (www.sse.com.cn).

VI.FINANCIAL REPORT

Auditor's Opinion

KPMG, the Group's external auditor, has reviewed the interim financial report of the Group for the six months ended 30 June 2013, and opined that based on its review, nothing has come to the auditor's attention that causes them to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Interim Financial Report

Consolidated statement of comprehensive income

For the six months ended 30 June 2013

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
		2013	2012
	<i>Note</i>	Unaudited	Unaudited
Interest income		75,399	68,337
Interest expense		(34,724)	(31,408)
Net interest income	3	40,675	36,929
Fee and commission income		8,581	5,817
Fee and commission expense		(604)	(412)
Net fee and commission income	4	7,977	5,405
Net trading gain	5	969	1,540
Net gain from investment securities	6	73	115
Other operating income		380	254
Operating income		50,074	44,243
Operating expenses		(17,940)	(15,858)
Operating profit before impairment		32,134	28,385
Impairment losses on			
– Loans and advances to customers		(4,719)	(2,447)
– Others		(170)	(77)
Total impairment losses	7	(4,889)	(2,524)
Revaluation gain on investment properties		1	35
Share of losses of associates		(3)	(20)
Profit before tax		27,243	25,876
Income tax	8	(6,600)	(6,291)
Net profit		20,643	19,585

Consolidated statement of comprehensive income (continued)
For the six months ended 30 June 2013
(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
		2013	2012
	<i>Note</i>	Unaudited	Unaudited
Net profit		<u>20,643</u>	<u>19,585</u>
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
– Net changes in fair value		(491)	1,090
– Net amount transferred to profit or loss		(136)	(23)
Exchange difference on translating foreign operations		(266)	67
Other comprehensive income of associates		<u>12</u>	<u>6</u>
Total other comprehensive (loss)/income		(881)	1,140
Income tax effects relating to each component of other comprehensive (loss)/income		<u>147</u>	<u>(242)</u>
Other comprehensive (loss)/income, net of tax		<u>(734)</u>	<u>898</u>
Total comprehensive income		<u><u>19,909</u></u>	<u><u>20,483</u></u>
Net profit attributable to:			
Shareholders of the Bank		20,391	19,373
Non-controlling interests		<u>252</u>	<u>212</u>
		<u><u>20,643</u></u>	<u><u>19,585</u></u>
Total comprehensive income attributable to:			
Shareholders of the Bank		19,769	20,180
Non-controlling interests		<u>140</u>	<u>303</u>
		<u><u>19,909</u></u>	<u><u>20,483</u></u>
Basic and diluted earnings per share (RMB)	9	<u><u>0.44</u></u>	<u><u>0.41</u></u>

Consolidated statement of financial position*As at 30 June 2013**(Expressed in millions of Renminbi unless otherwise stated)*

	30 June 2013 Unaudited	31 December 2012 Audited
Assets		
Cash and balances with central bank	492,526	428,167
Deposits with banks and non-bank financial institutions	250,643	236,591
Placements with banks and non-bank financial institutions	90,051	151,803
Trading financial assets	20,413	12,285
Positive fair value of derivatives	5,407	4,160
Financial assets held under resale agreements	217,677	69,082
Interest receivable	13,656	13,040
Loans and advances to customers	1,787,895	1,627,576
Available-for-sale financial assets	225,564	196,849
Held-to-maturity investments	160,918	135,014
Investment classified as receivables	140,667	56,435
Investments in associates	2,109	2,134
Fixed assets	11,739	11,520
Investment properties	280	333
Goodwill	803	817
Intangible assets	319	339
Deferred tax assets	6,612	6,091
Other assets	9,666	7,703
Total assets	<u>3,436,945</u>	<u>2,959,939</u>
Liabilities		
Deposits from banks and non-bank financial institutions	441,513	370,108
Placements from banks and non-bank financial institutions	33,872	17,894
Negative fair value of derivatives	4,919	3,412
Financial assets sold under repurchase agreements	17,856	11,732
Deposits from customers	2,613,911	2,255,141
Accrued staff costs	8,921	10,578
Taxes payable	3,854	4,558
Interest payable	21,084	21,499
Provisions	93	93
Debt securities issued	44,502	44,809
Certificates of deposit issued	10,568	11,593
Other liabilities	19,875	5,436
Total liabilities	<u>3,220,968</u>	<u>2,756,853</u>

Consolidated statement of financial position (continued)
As at 30 June 2013
(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2013 Unaudited	31 December 2012 Audited
Equity		
Share capital	46,787	46,787
Share premium and other reserve	49,486	49,488
Investment revaluation reserve	(627)	(185)
Surplus reserve	11,709	11,709
General reserve	35,326	35,326
Retained earnings	70,724	57,351
Exchange difference	(2,298)	(2,120)
Total equity attributable to shareholders of the Bank	211,107	198,356
Non-controlling interests	4,870	4,730
Total equity	215,977	203,086
Total liabilities and equity	3,436,945	2,959,939

Approved and authorised for issue by the Board of Directors on 27 August 2013.

Chen Xiaoxian
First Vice Chairman

Zhu Xiaohuang
President

Cao Guoqiang
*Vice President in charge of
Finance function*

Lu Wei
*Head of Budget and
Finance Department*

Statement of financial position*As at 30 June 2013**(Expressed in millions of Renminbi unless otherwise stated)*

	30 June 2013 Unaudited	31 December 2012 Audited
Assets		
Cash and balances with central bank	490,892	426,886
Deposits with banks and non-bank financial institutions	247,364	235,424
Placements with banks and non-bank financial institutions	73,270	129,052
Trading financial assets	20,361	12,209
Positive fair value of derivatives	3,290	2,665
Financial assets held under resale agreements	217,726	69,132
Interest receivable	13,184	12,534
Loans and advances to customers	1,694,818	1,541,748
Available-for-sale financial assets	210,428	181,862
Held-to-maturity investments	160,856	134,952
Investment classified as receivables	140,667	56,435
Investment in subsidiaries	9,986	9,986
Fixed assets	11,244	10,997
Intangible assets	319	339
Deferred tax assets	6,576	6,073
Other assets	8,989	7,338
Total assets	<u>3,309,970</u>	<u>2,837,632</u>
Liabilities		
Deposits from banks and non-bank financial institutions	453,637	383,493
Placements from banks and non-bank financial institutions	30,877	15,923
Negative fair value of derivatives	3,498	2,677
Financial assets sold under repurchase agreements	16,854	11,241
Deposits from customers	2,506,702	2,148,582
Accrued staff costs	8,610	10,241
Taxes payable	3,668	4,495
Interest payable	20,733	20,988
Provisions	93	93
Debt securities issued	38,471	38,470
Other liabilities	17,372	4,363
Total liabilities	<u>3,100,515</u>	<u>2,640,566</u>

Statement of financial position (continued)

As at 30 June 2013

(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2013 Unaudited	31 December 2012 Audited
Equity		
Share capital	46,787	46,787
Share premium and other reserve	51,619	51,619
Investment revaluation reserve	(557)	(195)
Surplus reserve	11,709	11,709
General reserve	35,250	35,250
Retained earnings	64,647	51,896
Total equity	<u>209,455</u>	<u>197,066</u>
Total liabilities and equity	<u>3,309,970</u>	<u>2,837,632</u>

Approved and authorised for issue by the Board of Directors on 27 August 2013.

Chen Xiaoxian
First Vice Chairman

Zhu Xiaohuang
President

Cao Guoqiang
*Vice President in charge of
finance function*

Lu Wei
*Head of Budget and
Finance Department*

Consolidated statement of changes in equity
For the six months ended 30 June 2013 — unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Share capital	Share premium	Investment Other reserve	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non- controlling interests	Total equity
As at 1 January 2013	46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086
Movements during the period										
(I) Net profit	-	-	-	-	-	-	20,391	-	252	20,643
(II) Other comprehensive income	-	-	(2)	(442)	-	-	-	(178)	(112)	(734)
Total comprehensive income	-	-	(2)	(442)	-	-	20,391	(178)	140	19,909
(III) Profit appropriations										
1. Appropriations to shareholders	-	-	-	-	-	-	(7,018)	-	-	(7,018)
As at 30 June 2013	<u>46,787</u>	<u>49,214</u>	<u>272</u>	<u>(627)</u>	<u>11,709</u>	<u>35,326</u>	<u>70,724</u>	<u>(2,298)</u>	<u>4,870</u>	<u>215,977</u>

	Share capital	Share premium	Investment Other reserve	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non- controlling interests	Total equity
As at 1 January 2012	46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Movements during the period										
(I) Net profit	-	-	-	-	-	-	19,373	-	212	19,585
(II) Other comprehensive income	-	-	-	756	-	-	-	51	91	898
Total comprehensive income	-	-	-	756	-	-	19,373	51	303	20,483
(III) Profit appropriations										
1. Appropriations to shareholders	-	-	-	-	-	-	(6,784)	-	-	(6,784)
As at 30 June 2012	<u>46,787</u>	<u>49,214</u>	<u>277</u>	<u>970</u>	<u>8,691</u>	<u>20,825</u>	<u>63,211</u>	<u>(2,083)</u>	<u>4,588</u>	<u>192,480</u>

	Share capital	Share premium	Investment Other reserve	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non- controlling interests	Total equity
As at 1 January 2012	46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Movements during the year										
(I) Net profit	-	-	-	-	-	-	31,032	-	353	31,385
(II) Other comprehensive income	-	-	(3)	(399)	-	-	-	14	92	(296)
Total comprehensive income	-	-	(3)	(399)	-	-	31,032	14	445	31,089
(III) Profit appropriations										
1. Appropriations to surplus reserve	-	-	-	-	3,018	-	(3,018)	-	-	-
2. Appropriations to general reserve	-	-	-	-	-	14,501	(14,501)	-	-	-
3. Appropriations to shareholders	-	-	-	-	-	-	(6,784)	-	-	(6,784)
As at 31 December 2012	<u>46,787</u>	<u>49,214</u>	<u>274</u>	<u>(185)</u>	<u>11,709</u>	<u>35,326</u>	<u>57,351</u>	<u>(2,120)</u>	<u>4,730</u>	<u>203,086</u>

Consolidated cash flow statement*For the six months ended 30 June 2013**(Expressed in millions of Renminbi unless otherwise stated)*

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Operating activities		
Profit before tax	27,243	25,876
Adjustments for:		
– Revaluation loss/(gain) on investments, derivatives and investment properties	117	(370)
– Investment gains	(48)	(84)
– Net (gain)/loss on disposal of fixed assets and other assets	(14)	3
– Unrealised foreign exchange losses/(gains)	124	(149)
– Impairment losses	4,889	2,524
– Depreciation and amortisation	865	770
– Interest expense on debt securities and certificates of deposit issued	1,104	639
– Dividend income from equity investment	(22)	(11)
– Income tax paid	(7,427)	(6,364)
	26,831	22,834
Changes in operating assets and liabilities:		
Increase in balances with central bank	(61,080)	(31,378)
(Increase)/decrease in deposits with banks and non-bank financial institutions	(5,558)	23,244
Decrease/(increase) in placements with banks and non-bank financial institutions	38,892	(28,219)
Increase in trading financial assets	(9,045)	(7,743)
Increase in financial assets held under resale agreements	(148,627)	(63,252)
Increase in loans and advances to customers	(167,010)	(100,905)
Increase in investment classified as receivables	(84,232)	–
Increase/(decrease) in deposits from banks and non-bank financial institutions	72,222	(108,263)
Increase/(decrease) in placements from banks and non-bank financial institutions	16,190	(625)
Increase/(decrease) in financial assets sold under repurchase agreements	6,139	(4,725)
Increase in deposits from customers	365,195	220,173
Increase in other operating assets	(3,311)	(613)
Increase in other operating liabilities	775	3,921
Net cash flows from/(used in) operating activities	47,381	(75,551)

Consolidated cash flow statement (continued)
For the six months ended 30 June 2013
(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Investing activities		
Proceeds from disposal and redemption of investments	288,028	253,677
Proceeds from disposal of fixed assets, land use rights and other assets	99	14
Cash received from equity investment income	22	11
Payments on acquisition of investments	(325,980)	(306,044)
Payments on acquisition of fixed assets, land use rights and other assets	(1,041)	(1,101)
	<u>(1,041)</u>	<u>(1,101)</u>
Net cash flows used in investing activities	(38,872)	(53,443)
	<u>(38,872)</u>	<u>(53,443)</u>
Financing activities		
Cash received from issuance of debt securities and certificates of deposit	4,612	19,969
Cash paid for redemption of debt securities and certificates of deposit	(5,408)	(1,579)
Interest paid on debt securities and certificates of deposit issued	(2,096)	(1,018)
Dividend paid	—	(222)
	<u>—</u>	<u>(222)</u>
Net cash flows (used in)/from financing activities	(2,892)	17,150
	<u>(2,892)</u>	<u>17,150</u>
Net increase/(decrease) in cash and cash equivalents	5,617	(111,844)
Cash and cash equivalents as at 1 January	336,828	479,083
Effect of exchange rate changes on cash and cash equivalents	(1,490)	195
	<u>(1,490)</u>	<u>195</u>
Cash and cash equivalents as at 30 June	340,955	367,434
	<u>340,955</u>	<u>367,434</u>
Cash flows from operating activities include:		
Interest received	74,790	67,184
	<u>74,790</u>	<u>67,184</u>
Interest paid, excluding interest expense on debt securities and certificates of deposit issued	(33,035)	(26,723)
	<u>(33,035)</u>	<u>(26,723)</u>

Notes:

Certain notes to the interim financial report of the Group are set out below, please refer to the interim report of the Group for all the notes to the financial report.

1 Significant accounting policies

The International Accounting Standards Board (“IASB”) has issued certain revised IFRSs, a number of amendments to and interpretations of IFRSs. Of these, the following developments are first effective for the current accounting period and relevant to the interim financial report of the Group:

- Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Revised IAS 19, Employee benefits
- Annual Improvements to IFRSs 2009-2011 Cycle
- Amendments to IFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in this interim financial report has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator’s interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group’s consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The adoption of the amendments does not have an impact on the Group’s interim financial report because the Group has no joint arrangements.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised IAS 19, Employee benefits

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised IAS 19, the Group has changed its accounting policy with respect to defined benefit plans. This change in accounting policy does not have any material impact on this interim financial report.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 13.

Amendments to IFRS 7, Financial instruments: Disclosures– Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. These new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

2 Interim financial report and audited financial statements

The interim financial report has been reviewed by the Audit and Related Party Transactions Control Committee of the Bank, and was approved by the Board of Directors of the Bank on 27 August 2013. The interim financial report has also been reviewed by the Bank's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information for the year ended 31 December 2012 that is included in the interim financial report as previously reported information does not constitute the Group's audited financial statements for that year but is derived from those financial statements. The auditor has expressed unqualified audit opinion on those financial statements in the report dated 28 March 2013.

3 Net interest income

	Six months ended 30 June	
	2013	2012
<i>Interest income arising from:</i>		
Deposits with central banks	3,387	2,941
Deposits with banks and non-bank financial institutions	3,100	4,115
Placements with banks and non-bank financial institutions	2,656	3,742
Financial assets held under resale agreements	4,738	2,561
Investment classified as receivables	829	–
Loans and advances to customers (<i>note (i)</i>)		
– corporate loans	40,800	39,280
– personal loans	10,838	8,659
– discounted bills	2,286	2,260
Investments in debt securities (<i>note (ii)</i>)	6,764	4,778
Others	1	1
	<u>75,399</u>	<u>68,337</u>
<i>Interest expense arising from:</i>		
Deposits from banks and non-bank financial institutions	(7,570)	(7,857)
Placements from banks and non-bank financial institutions	(358)	(160)
Debt securities issued	(1,004)	(535)
Financial assets sold under repurchase agreements	(117)	(405)
Deposits from customers	(25,575)	(22,332)
Trading financial liabilities	–	(15)
Certificates of deposit issued	(100)	(104)
	<u>(34,724)</u>	<u>(31,408)</u>
Net interest income	<u>40,675</u>	<u>36,929</u>

Notes:

- (i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB 130 million for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB 111 million).
- (ii) Interest income from investments in debt securities is mainly derived from unlisted investments.
- (iii) Interest income includes interest income arising from financial assets measured at fair value through profit and loss of RMB 201 million (six months ended 30 June 2012: RMB 173 million); interest expense includes no interest expense arising from financial liabilities measured at fair value through profit and loss (six months ended 30 June 2012: RMB 15 million).

4 Net fee and commission income

	Six months ended 30 June	
	2013	2012
Fee and commission income		
Consultancy and advisory fees	2,504	1,506
Bank card fees	2,445	1,624
Settlement fees	1,259	1,446
Guarantee fees	467	263
Agency fees and commission (<i>note(i)</i>)	542	465
Commission for wealth management services	950	280
Commission for custodian business	407	229
Others	7	4
Total	8,581	5,817
Fee and commission expense	(604)	(412)
Net fee and commission income	7,977	5,405

Note:

- (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

5 Net trading gain

	Six months ended 30 June	
	2013	2012
Trading profit:		
– debt securities	–	208
– foreign currencies	784	757
– derivatives	184	574
– financial instrument designated at fair value through profit and loss	1	1
Total	969	1,540

6 Net gain from investment securities

	Six months ended 30 June	
	2013	2012
Net (loss)/gain from sale of available-for-sale financial assets	(87)	79
Net revaluation gain reclassified from other comprehensive income on disposal	136	23
Others	24	13
Total	73	115

7 Impairment losses on assets

	Six months ended 30 June	
	2013	2012
Impairment losses charged on/(reversed from)		
– placements with banks and non-bank financial institutions	1	–
– Loans and advances to customers	4,719	2,447
– Available-for-sale financial assets	(9)	(9)
– Held-to-maturity investments	(82)	(4)
– Off-balance sheet credit commitments	57	85
– Repossessed assets	(13)	(5)
– Others	216	10
	<u>4,889</u>	<u>2,524</u>
Total	<u>4,889</u>	<u>2,524</u>

8 Income tax

(a) Recognised in the statement of comprehensive income

	Six months ended 30 June	
	2013	2012
Current tax		
– Mainland China	6,825	6,241
– Hong Kong	146	110
– Overseas	3	14
Deferred tax	(374)	(74)
Income tax	<u>6,600</u>	<u>6,291</u>

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2013	2012
Profit before tax	<u>27,243</u>	<u>25,876</u>
Income tax calculated at statutory tax rate	6,811	6,469
Effect of different tax rates in other regions	(84)	(70)
Tax effect of non-deductible expenses (Note (i))	178	186
Tax effect of non-taxable income		
– Interest income arising from PRC government bonds	(275)	(266)
– Others	(30)	(28)
Income tax	<u>6,600</u>	<u>6,291</u>

Note:

- (i) The amounts primarily represent tax effect of entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

9 Earnings per share

Earnings per share information for the six months ended 30 June 2013 and 2012 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2013 and 2012.

	Six months ended 30 June	
	2013	2012
Net profit attributable to shareholders of the Bank	20,391	19,373
Weighted average number of shares (<i>in million shares</i>)	46,787	46,787
Basic and diluted earnings per share (<i>in RMB</i>)	<u>0.44</u>	<u>0.41</u>

10 Movements of allowances for impairment losses

The Group

	Six months ended 30 June 2013					
	As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	As at 30 June
Deposit with banks and non-bank financial institutions	–	–	–	–	–	–
Placements with banks and non-bank financial institutions	8	1	–	–	–	9
Financial assets held under resale agreements	–	–	–	–	–	–
Interest receivable	242	258	(38)	–	(4)	458
Loans and advances to customers	35,325	5,387	(668)	(80)	(3,307)	36,657
Available-for-sale financial assets	149	–	(9)	(3)	–	137
Held-to-maturity investments	130	–	(82)	4	–	52
Investment classified as receivables	–	–	–	–	–	–
Repossessed assets	167	7	(20)	(1)	(12)	141
Other assets	647	11	(15)	(7)	(13)	623
Gross balance	<u>36,668</u>	<u>5,664</u>	<u>(832)</u>	<u>(87)</u>	<u>(3,336)</u>	<u>38,077</u>
	Year ended 31 December 2012					
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	–	–	–	–	–	–
Placements with banks and non-bank financial institutions	8	–	(5)	5	–	8
Financial assets held under resale agreements	–	–	–	–	–	–
Interest receivable	56	231	(31)	–	(14)	242
Loans and advances to customers	23,258	13,755	(951)	5	(742)	35,325
Available-for-sale financial assets	303	6	(16)	(144)	–	149
Held-to-maturity investments	137	–	(6)	(1)	–	130
Investment classified as receivables	–	–	–	–	–	–
Repossessed assets	161	39	(38)	14	(9)	167
Other assets	700	22	(33)	2	(44)	647
Gross balance	<u>24,623</u>	<u>14,053</u>	<u>(1,080)</u>	<u>(119)</u>	<u>(809)</u>	<u>36,668</u>

	Six months ended 30 June 2013					As at 30 June
	As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions	–	–	–	–	–	–
Placements with banks and non-bank financial institutions	8	1	–	–	–	9
Financial assets held under resale agreements	–	–	–	–	–	–
Interest receivable	242	258	(38)	–	(4)	458
Loans and advances to customers	34,877	5,310	(615)	(79)	(3,287)	36,206
Available-for-sale financial assets	144	–	(9)	(3)	–	132
Held-to-maturity investments	130	–	(82)	4	–	52
Investment classified as receivables	–	–	–	–	–	–
Reposessed assets	167	7	(20)	(1)	(12)	141
Other assets	646	10	(15)	(6)	(13)	622
Gross balance	<u>36,214</u>	<u>5,586</u>	<u>(779)</u>	<u>(85)</u>	<u>(3,316)</u>	<u>37,620</u>
	Year ended 31 December 2012					As at 31 December
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	
Deposit with banks and non-bank financial institutions	–	–	–	–	–	–
Placements with banks and non-bank financial institutions	8	–	(5)	5	–	8
Financial assets held under resale agreements	–	–	–	–	–	–
Interest receivable	56	231	(31)	–	(14)	242
Loans and advances to customers	22,818	13,643	(910)	(15)	(659)	34,877
Available-for-sale financial assets	159	–	(16)	1	–	144
Held-to-maturity investments	137	–	(6)	(1)	–	130
Investment classified as receivables	–	–	–	–	–	–
Reposessed assets	161	39	(38)	14	(9)	167
Other assets	697	15	(33)	2	(35)	646
Gross balance	<u>24,036</u>	<u>13,928</u>	<u>(1,039)</u>	<u>6</u>	<u>(717)</u>	<u>36,214</u>

Note:

Transfer in/(out) includes the effect of exchange rate and disposals during the period. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet items. Details are disclosed in Note 7.

11 Commitments and contingent liabilities

(a) Credit commitments

Credit commitments take the form of loan commitments, credit card limits, financial guarantees and letters of credit.

Loan commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Contractual amount				
Loan commitments				
– with an original maturity of within one year	60,944	100,858	23,588	67,499
– with an original maturity of one year or beyond	40,818	14,388	39,771	12,679
Subtotal	101,762	115,246	63,359	80,178
Guarantees	101,969	89,554	93,342	86,140
Letters of credit	159,250	166,268	155,061	162,004
Acceptances	729,124	666,007	726,669	664,502
Credit card commitments	90,944	80,452	85,423	74,906
Total	1,183,049	1,117,527	1,123,854	1,067,730

(b) Credit risk weighted amount

	The Group 30 June 2013	The Bank 30 June 2013
Credit risk weighted amount of credit commitments	419,811	415,368

The credit risk weighted amount refers to the amount calculated in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” promulgated by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

There are no relevant standards prescribed in IFRS with regard to the calculation of the above credit risk weighted amounts. The Group and Bank’s credit risk weighted amount as at 31 December 2012 which was calculated based on the rules of “Regulations Governing Capital Adequacy of Commercial Banks” was RMB 414,221 million and 410,520 million respectively. This rule has been superseded since 1 January 2013.

(c) *Capital commitments*

The Group and the Bank had the following authorised capital commitments at the balance sheet date:

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
– Contracted for	641	612	580	582
– Authorized but not contracted for	588	69	588	69

(d) *Operating lease commitments*

The Group leases certain properties and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. At the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

	The Group		The Bank	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Within one year	1,860	1,935	1,672	1,760
After one year but within two years	1,884	1,786	1,714	1,625
After two years but within three years	1,577	1,656	1,431	1,509
After three years but within five years	2,345	2,236	2,128	2,002
After five years	2,784	2,384	2,499	2,051
Total	10,450	9,997	9,444	8,947

(e) *Outstanding litigations and disputes*

As at 30 June 2013, the Group was the defendant in certain pending litigations with gross claims of RMB 230 million (as at 31 December 2012: RMB 227 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB 93 million (as at 31 December 2012: RMB 93 million). The Group believes that these accruals are reasonable and adequate.

(f) ***Bonds redemption obligations***

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	The Group and the Bank	
	30 June 2013	31 December 2012
Bonds redemption obligations	<u>4,308</u>	<u>4,525</u>

The Group estimates that the possibility of redemption before maturity is remote.

(g) ***Provision against commitments and contingent liabilities***

The Group has assessed and has made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

12 Profit appropriations

In accordance with the resolution approved in the Annual General Meeting of the Bank on 28 May 2013, a total amount of approximately RMB 7,018 million (RMB 150 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 24 July 2013.

13 Segment reporting

Measurement of segment assets and liabilities, and segment income and expense is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Deferred tax assets and deferred tax liabilities are not included in segment assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the reporting period to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(a) ***Business segments***

The Group comprises the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise personal loans, deposit services and securities agency services, as well loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services provided to small enterprises.

Treasury business

This segment covers the Group's treasury and interbank operations. The treasury enters into inter-bank money market transactions and repurchase transactions, and invests in debt instruments. It also trades in debt instruments, derivatives and foreign currencies for its own account. The treasury carries out customer driven transactions on derivatives and foreign currency trading. Its function also includes the management of the Group's overall liquidity position.

Others and unallocated

These represent the assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

Changes in disclosure of segment results and assets and liabilities

The Group has further strengthened the centralized operations management and optimized the resource allocation at Group level during the reporting period. In addition, the Group's small enterprises business has now been classified as part of "Personal banking", rather than "Corporate banking"; the disclosure of business segment has been changed accordingly. The Group has also reclassified the business with other financial institution as part of "Treasury business" instead of "Corporate banking". Compared to the old method, the new method better reflects current management model in the Group.

The 2012 comparative figures have not been restated as it is impractical.

The segment information as at 30 June 2013 has been presented using the new method as below:

	Six months ended 30 June 2013				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income	23,738	7,741	8,768	428	40,675
Internal net interest income/(expense)	<u>4,844</u>	<u>(1,133)</u>	<u>(5,897)</u>	<u>2,186</u>	<u>–</u>
Net interest income	28,582	6,608	2,871	2,614	40,675
Net fee and commission income	4,737	2,955	298	(13)	7,977
Other net income (<i>note 1</i>)	<u>410</u>	<u>45</u>	<u>740</u>	<u>227</u>	<u>1,422</u>
Operating income	33,729	9,608	3,909	2,828	50,074
Operating expenses					
– depreciation and amortization	(387)	(356)	(64)	(58)	(865)
– others	(10,023)	(6,350)	(301)	(401)	(17,075)
Impairment (losses)/reversal	<u>(3,552)</u>	<u>(1,219)</u>	<u>76</u>	<u>(194)</u>	<u>(4,889)</u>
Revaluation gain on investment properties	–	–	–	1	1
Share of losses of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3)</u>	<u>(3)</u>
Profit before tax	<u>19,767</u>	<u>1,683</u>	<u>3,620</u>	<u>2,173</u>	<u>27,243</u>
Capital expenditure	<u>394</u>	<u>363</u>	<u>41</u>	<u>20</u>	<u>818</u>

The segment information as at 30 June 2013 has been presented using the new method as below:

	30 June 2013				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	1,823,540	448,887	1,156,181	(384)	3,428,224
Investment in associates	–	–	–	2,109	2,109
Deferred tax assets					<u>6,612</u>
Total asset					<u>3,436,945</u>
Segment liabilities	2,192,577	490,417	551,925	(13,951)	3,220,968
Deferred tax liabilities					<u>–</u>
Total liabilities					<u>3,220,968</u>
Off-balance sheet credit commitments	<u>1,086,541</u>	<u>96,508</u>	<u>–</u>	<u>–</u>	<u>1,183,049</u>

	Six months ended 30 June 2012				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
External net interest income	21,492	5,056	10,361	20	36,929
Internal net interest income/(expense)	<u>8,408</u>	<u>(288)</u>	<u>(7,865)</u>	<u>(255)</u>	<u>–</u>
Net interest income/(expense)	29,900	4,768	2,496	(235)	36,929
Net fee and commission income	3,427	1,900	75	3	5,405
Other net income (<i>note 1</i>)	<u>398</u>	<u>60</u>	<u>1,249</u>	<u>202</u>	<u>1,909</u>
Operating income/(expense)	33,725	6,728	3,820	(30)	44,243
Operating expenses					
– depreciation and amortization	(376)	(316)	(35)	(43)	(770)
– others	(9,798)	(4,911)	(204)	(175)	(15,088)
Impairment (losses)/reversal	<u>(2,337)</u>	<u>(208)</u>	<u>35</u>	<u>(14)</u>	<u>(2,524)</u>
Revaluation gain on investment properties	–	–	–	35	35
Share of losses of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>(20)</u>	<u>(20)</u>
Profit/(loss) before tax	<u>21,214</u>	<u>1,293</u>	<u>3,616</u>	<u>(247)</u>	<u>25,876</u>
Capital expenditure	<u>341</u>	<u>268</u>	<u>29</u>	<u>14</u>	<u>652</u>
	31 December 2012				Total
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	
Segment assets	1,626,232	418,449	904,886	2,147	2,951,714
Investment in associates	–	–	–	2,134	2,134
Deferred tax assets					<u>6,091</u>
Total asset					<u>2,959,939</u>
Segment liabilities	1,856,062	419,089	484,134	(2,432)	2,756,853
Deferred tax liabilities					<u>–</u>
Total liabilities					<u>2,756,853</u>
Off-balance sheet credit commitments	<u>1,037,076</u>	<u>80,451</u>	<u>–</u>	<u>–</u>	<u>1,117,527</u>

Note 1: Other net income consists of net trading gain, net gain from investment securities and other operating income.

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 30 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the following areas where tier-1 branches of the Bank are located: Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wuxi and Wenzhou, as well as Lin'an Rural Bank;
- “Pearl River Delta and West Strait” refers to the following areas where tier-1 branches of the Bank are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, Haikou, Quanzhou and Foshan;
- “Bohai Rim” refers to the following areas where tier-1 branches of the Bank are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;
- “Central” region refers to the following areas where tier-1 branches of the Bank are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;
- “Western” region refers to the following areas where tier-1 branches of the Bank are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining and Yinchuan;
- “Northeastern” region refers to the following areas where tier-1 branch of the Bank is located: Shenyang, Changchun and Harbin;
- “Head Office” refers to the headquarter of the Bank and the Credit Card Center; and
- “Hong Kong” includes all the operations of CIFL, CIFH and its subsidiaries.

Six months ended 30 June 2013

	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	6,509	4,680	5,334	4,420	4,913	1,276	12,603	940	-	40,675
Internal net interest income/(expense)	2,133	576	2,643	1,180	76	15	(6,887)	264	-	-
Net interest income	8,642	5,256	7,977	5,600	4,989	1,291	5,716	1,204	-	40,675
Net fee and commission income	1,504	576	1,462	932	823	283	2,121	276	-	7,977
Other net income (note 1)	273	135	296	101	55	18	115	429	-	1,422
Operating income	10,419	5,967	9,735	6,633	5,867	1,592	7,952	1,909	-	50,074
Operating expenses										
- depreciation and amortization	(154)	(83)	(171)	(89)	(89)	(26)	(174)	(79)	-	(865)
- others	(3,865)	(2,188)	(3,335)	(2,312)	(2,005)	(484)	(2,078)	(808)	-	(17,075)
Impairment (losses)/reversal	(2,876)	(623)	(770)	(265)	(366)	(34)	68	(23)	-	(4,889)
Revaluation gain on investment properties	-	-	-	-	-	-	-	1	-	1
Share of losses of associates	-	-	-	-	-	-	-	(3)	-	(3)
Profit before tax	3,524	3,073	5,459	3,967	3,407	1,048	5,768	997	-	27,243
Capital expenditure	43	29	65	32	498	9	112	30	-	818

30 June 2013

	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	772,074	533,154	815,306	442,359	431,534	86,397	1,161,770	147,719	(962,089)	3,428,224
Interests in associates								2,109		2,109
Deferred tax assets										6,612
Total assets										3,436,945
Segment liabilities	766,834	528,470	807,570	437,824	426,567	84,826	997,563	133,563	(962,249)	3,220,968
Deferred tax liabilities										-
Total liabilities										3,220,968
Off-balance sheet credit commitments	287,131	152,652	267,934	172,752	126,064	31,899	85,423	59,194	-	1,183,049

Six months ended 30 June 2012

	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	7,197	3,984	6,025	4,005	4,233	1,226	9,359	900	-	36,929
Internal net interest income/(expense)	1,847	980	2,123	977	215	(46)	(6,090)	(6)	-	-
Net interest income	9,044	4,964	8,148	4,982	4,448	1,180	3,269	894	-	36,929
Net fee and commission income	1,176	410	1,050	511	448	126	1,412	272	-	5,405
Other net income (<i>note 1</i>)	250	105	276	52	43	27	741	415	-	1,909
Operating income	10,470	5,479	9,474	5,545	4,939	1,333	5,422	1,581	-	44,243
Operating expenses										
- depreciation and amortization	(142)	(77)	(142)	(81)	(78)	(22)	(156)	(72)	-	(770)
- others	(3,788)	(2,035)	(3,238)	(2,055)	(1,759)	(424)	(1,101)	(688)	-	(15,088)
Impairment (losses)/reversal	(924)	(807)	(32)	(500)	(270)	(130)	145	(6)	-	(2,524)
Revaluation gain on investment properties	-	-	-	-	-	-	-	35	-	35
Share of losses of associates	-	-	-	-	-	-	-	(20)	-	(20)
Profit before tax	5,616	2,560	6,062	2,909	2,832	757	4,310	830	-	25,876
Capital expenditure	62	21	45	54	300	7	117	46	-	652

31 December 2012

	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	720,231	438,698	727,706	351,283	356,213	77,278	962,733	144,134	(826,562)	2,951,714
Interests in associates	-	-	-	-	-	-	-	2,134	-	2,134
Deferred tax assets										6,091
Total assets										2,959,939
Segment liabilities	709,635	431,981	715,812	344,631	349,718	75,502	825,654	130,482	(826,562)	2,756,853
Deferred tax liabilities										-
Total liabilities										2,756,853
Off-balance sheet credit commitment	283,996	139,730	247,185	170,851	121,042	30,020	74,906	49,797	-	1,117,527

Note 1: Other net income consists of net trading gain, net gain from investment securities and other operating income.

14 Events after the reporting date

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of the interim financial report after the reporting date.

VI.DEFINITIONS

Unless otherwise explained, the following terms mentioned in the report assume the implications indicated in the following table:

BBVA	Banco Bilbao ViSzcaya Argentaria S.A.
Group	China CITIC Bank Corporation Limited and its subsidiaries
Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
KPMG Huanzhen	KPMG Huanzhen (Special General Partnership)
GIL	Gloryshare Investments Limited
Company Law	Company Law of the People's Republic of China
Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Joint-stock Banks	Including China CITIC Bank, China Merchants Bank, Minsheng Bank, Industrial Bank, Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank and Guangdong Development Bank
State Council	State Council of the People's Republic of China
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
China AMC	China Asset Management Co., Ltd.
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank
SSE	Shanghai Stock Exchange
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
NSSF	National Council for Social Security Fund
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance Company Ltd.

Tencent	Tencent Holding Limited
Tianan Insurance	Tianan Insurance Company Limited of China
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd.
SEHK	The Stock Exchange of Hong Kong Limited
Central Bank/PBC	The People's Bank of China
MOF	Ministry of Finance of the People's Republic of China
CBRC	China Banking Regulatory Commission
China UnionPay	China UnionPay Company Limited
CSRC	China Securities Regulatory Commission
CIFL	China Investment and Finance Limited
CITIC Press	CITIC Press Corporation
CITIC Real Estate	CITIC Real Estate Corporation Limited
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Limited	CITIC Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Group	CITIC Group Corporation, formerly known as CITIC Group which was renamed as CITIC Group Corporation on 27 December 2011 after restructuring
China Securities	China Securities Co., Ltd.
CITIC Kingview Capital	CITIC Kingview Capital Management Co., Ltd.
CITIC Tourism	CITIC Tourism Group Co., Ltd.

CITIC Securities	CITIC Securities Co., Ltd.
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CITIC Futures	CITIC Futures Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Capital	CITIC Capital Holdings Limited

By order of the Board of
China CITIC Bank Corporation Limited
LIN Zhengyue
Company Secretary

Beijing, the PRC
27 August 2013

As at the date of this interim result, the executive Directors of the Bank are Dr. Zhu Xiaohuang and Dr. Cao Tong; the non-executive Directors are Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Mr. Zhang Xiaowei, Mr. Angel Cano Fernandez and Mr. Gonzalo Jose Torano Vallina; and the independent non-executive Directors are Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew.